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annual report





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Prime Minister

Honourable J. R. Rhodes, Minister

Ministry of Transportation and Communications





73rd
ANNUAL REPORT
of the
Ontario Northland
Transportation
Commission
for the year ended
December 31, 1973





MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

The Honourable Pauline M. McGibbon,
O.C., B.A., L.L.D., D.U. (ott)
Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 73rd annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1973.

Respectfully submitted,

J. R. Rhodes, Minister.

May 3, 1974



ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable J. R. Rhodes,
Minister of Transportation and Communications,
Parliament Buildings,
Toronto, Ontario

Sir:

I beg to submit the Annual Report for the year 1973 of Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J. H. Jessiman, M.P.P., Chairman.

May 1, 1974



Ontario Northland Transportation Commission

J.H. Jessiman, M.P.P., Chairman, Thunder Bay

G. C. Demers, Vice-Chairman, Chelmsford

J. A. Kennedy, Commissioner, North Bay

1. W. Hollingsworth, Commissioner, Sault Ste. Marie

R. Piche, Commissioner, Kapuskasing

W. R. Thompson, Commissioner, Kirkland Lake

PRINCIPAL OFFICERS

F. S. Clifford, General Manager

M. C. Hicks, Executive Director, Marketing, Rail and Transport Operations

T. G. Farmer, Q.C., Executive Director, Corporate Services

L. K. Smiley, Executive Director, Telecommunications, Air, Marine, Bus Operations

D. E. MacDougall, Executive Director, Financial and Purchasing Services



North Bay, Ontario. April 30, 1974

Increase

. H. Jessiman, M.P.P., man.

ollowing report of operations for the year ended December 31, 1973, is respectfully submitted:

ings and Expenses

Communications and Miscellaneous Operations:

	1973	1972	(Decrease)
Revenue	\$32,596,776	\$30,677,809	\$1,918,967
Expense	33,149,077	30,163,183	2,985,894
Earnings (Loss)	(552,301)	514,626	(1,066,927)
Transfer Limited:			
Revenue	5,733,665	4,992,049	741,616
Expense	5,257,772	4,639,635	618,137
	475,893	352,414	123,479
perations			
osition	(76,408)	867,040	(943,448)
ber of Employees	1,998	1,992	6
Payroll	18,713,400	17,947,700	765,700

inancial results of the Commission, includtar Transfer Limited, in 1973 resulted in a of \$76,408 as compared to a profit of ,040 in 1972.

e unfavourable results in 1973 were due to ficant increases in operating costs without sponding increases in revenues, particural freight revenues. The Federal Governi's directive early in 1973 placing a freeze all freight rates for a two year period has at that rates on Ontario Northland were affected to this degree due to the great wity of traffic being interlined with the two railways, Canadian National and Canadiacific.

le increase in operating costs was due parily to the significant wage award granted stice Hall in January, 1974, and which was pactive to January, 1973, and which is tive for a two year period from that date. The year 1973 wage increases amounted to per cent and improvements to the pension amounted to just under 4 per cent. Increases in interest rates during 1973 also cd considerably to costs.

e acquisition of a bus licence to operate een Sault Ste. Marie and Wawa extended overage area for buses from Timmins into Sault Ste. Marie.

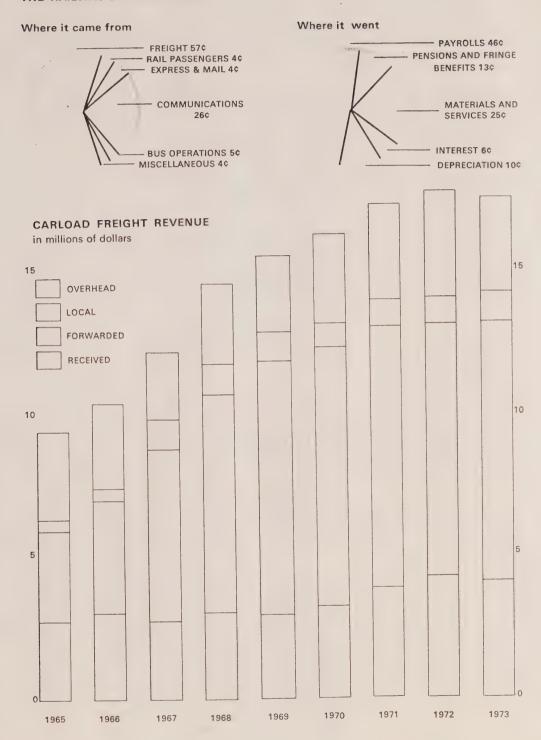
Late in the year, the Commission purchased all the outstanding shares of the Cwen Sound Transportation Company and commenced operating the car ferry service between Bruce Peninsula and Manitoulin Island in the spring of 1974. This operation will be conducted on a no-loss basis by the Ontario Northland Transportation Commission as any losses that will occur will be absorbed by the Ministry of Transportation and Communications.

In November of 1973 the Commission assumed the administrative responsibilities for the operation of norOntair. This airline, using Twin Otter aircraft, operates a passenger service joining the communities of Sault Ste. Marie, Timmins, Kirkland Lake, Tri-Town, and Sudbury. The operation is carried on by White River Air Services, with norOntair supplying the aircraft.

An audit team of the Ministry of Transportation and Communications conducted an operational audit of the Commission's affairs during 1973, which resulted in a report being tabled late in 1973. This report included certain recommendations which are being examined by management for possible implementation.



THE RAILWAY'S DOLLAR-1973





ital Expenditures:

otal of \$7,485,000 was spent on capital ects during 1973. This amount was a record any one year and included the following:

imunications Systems	\$1,902,000
dway and Buildings	969,000
comotives	2,152,000
Julkhead Flat Cars	497,000
overed Ore Cars	775,000
hanical Buildings	
nd Facilities	620,000
ions and	
ffice Buildings	284,000
Operations	266,000
cellaneous	20,000

ning and Development:

rall reorganization of the Commission in ober, 1973, resulted in formation of a new ning and Development Department as part torporate Services. It is responsible for orate planning, industrial engineering, system development, cost analysis and facilities elopment. It supplements group staff capass where required and provides detailed to management for short- and long-termining decisions.

tht Marketing:

pite a small .7% decrease in tonnage hancarload freight revenues increased by % to \$18,400,000. Total tonnage was 0,000 reflecting 73,956 carloads. The tondecrease resulted from rotating strikes a 17-day nationwide rail strike last sumincreased revenues were due in part to ard rate adjustments in some commodities ternational movement rate increases.

hit trains of sulphuric acid from the Kidd k mine nearly doubled, reflecting a 91.9% ase. Zinc concentrate tonnages from the fall Mines Electrolytical Zinc Refinery desed 22%, while zinc metal tonnages insed 79%.

le long-deferred Langmuir Intermodal od of hauling nickel concentrate at South upine began production in June, 1973. A tern lumber mill destroyed by fire in 1971 rebuilt and re-opened with considerably ter capacity, supplying an increase of % in pulpwood chip shipments. A new stud n Kapuskasing also began production.

i increase of 11.3% in newsprint ships, and of 2.7% in iron ore pellet shipments experienced during the year. In addition, nillion gallons of fuel oil and other comties were moved to Moosonee where a ble wharf facility and pumping system ferred them to barges for furtherance to George.

intinued growth is anticipated in freight nues resulting from such developments as insion of both Ecstall and Noranda facilire-opening of the asbestos mine and plant seves Township, completion of the pipelines looping program in northern Ontario, as well as the new lumber mill at Cochrane, Ontario.

Express Services:

Revenue increases of \$20,000 were registered by Express Services in 1973, which had changed its pricing policies and reduced rates in order to stimulate secondary industrial growth. A facilities and management personnel consolidation program was also adopted by Transport and Express to reduce overhead costs and utilize facilities and equipment to the best advantage of both departments.

Passenger Services:

Overall bus operation revenues increased 20% in 1973, reflecting greater bus tour and charter bus activity. The fleet of intercity buses increased to a total of 18 with the addition of two new Sleeper Service coaches and one regular service bus.

A licence was obtained to operate into Sault Ste. Marie from Wawa and a needed service was initiated between Sault Ste. Marie and Timmins as well as local service between Sault Ste. Marie and Wawa.

Tourism:

The 'Polar Bear Express' between Cochrane and Moosonee continued to be popular during the summer of 1973, but railway work stoppages, in late July, August and early September, reduced the number of passengers using the service.

Moosonee Lodge showed a slight decline in revenues in the early months of 1973 due to its closing for renovations. A serious revenue drop occurred during the railway work stoppages; on the other hand, the Hannah Bay Camp enjoyed another successful season.

Communications:

Despite the sale of all assets in Quebec, with a resulting revenue drop, increased long distance calling contributed to a rise of 3.6% in gross revenue, and a small increase in net revenue during the year. Direct distance dialing service was provided to Temagami, New Liskeard, Kirkland Lake and surrounding areas, and preparations were made to supply the same service to the Timmins to Iroquois Falls area by mid-1975. Meantime, work neared completion on providing modern telephone service to the Hudson Bay community of Winisk via satellite while the project of extending microwave to 90 miles beyond Hearst was begun. Improved service was also provided to the various CBC radio networks throughout the system.

In addition, approval was obtained to build a 90-mile hydro power line from Otter Rapids to Moosonee and Moose Factory. When completed, the line will be sold to Ontario Hydro, and will replace existing diesel-operated plants, now nearing maximum output, as the source of the communities' power needs.















ar Transfer Limited:

ghway transportation services supplied by is Ontario Northland subsidiary registered a owth of 14.85% in revenues and 13% in lume during 1973. New terminals were ened at Sudbury and Hearst, and the New skeard terminal was expanded. Plans were so initiated to construct a new Toronto termil, to be completed in late 1974 or early 1975.

Of particular importance was the integration Star Transfer Limited with Ontario Northland relation to marketing, sales and pricing, in der to provide customers with more efficient rvice.

bour-Management Relations:

gotiations for the renewal of the collective reements which expired at the end of 1972 re conducted on a national basis in concert hother Canadian railways. For the first time, scific requests for pension improvements re included and substantially resolved.

Failure to reach agreement on other major ues resulted in Parliament legislating an prim settlement and appointing an arbitrator. For arbitrator's award was released and implemented early in 1974 with retroactive effect to huary 1, 1973.

During the year, numerous discussions took fee between representatives of individual ions and supervisory personnel at all levels. Ger meetings were held on a regular basis roughout the year, attended by senior maniment personnel and general chairmen of all ions, providing an excellent forum for discusig matters of mutual interest.

ety Department:

bre was a marked decrease in the number of ployee injuries during the year, although ext payments to the Workmen's Compensation Board increased by 10.0%. A major portion the increase is attributable to a substantial rease in employee benefits that was granted the Board July 1, 1973.

No complete eye-protection program was imlimented in the Mechanical Department's to preas, requiring the wearing of approved the sty glasses by all employees and visitors in the areas. Several employees have been the style of the serious eye injury as a sult.

Driver improvement courses continued to dividends, and vehicle operators won hongs for safe driving in programs held by lario Northland in conjunction with the On- Safety League and the Transportation sety Association.

land Marine Services:

hinew Branch was created in 1973 with the i Service section made responsible for the sanded operation of recently acquired contair, the government-supported third-lev-lir carrier in northwestern Ontario.

The Marine section operates the Lake Nipissing Boat Line (which is scheduled to have a new ship) plus the recently acquired Owen Sound Transportation Company which operates the Tobermory-South Baymouth ferry.

A new 500-passenger, 113-car ferry, the M.S. Chi-Cheemaun, is scheduled to enter this service during the 1974 summer season.

The Ontario Northland purchased all the outstanding shares of the Owen Sound Transportation Company at a cost of \$385,000 and this operation is under the direct management of Ontario Northland.

Engineering:

The department replaced 28,000 ties in preparation for installation of 8.3 miles of continuous welded rail, a 'first' for Ontario Northland. It also began the second phase of a two-year program of upgrading the North Bay headquarters building at a cost of \$46,000, constructed a new station for both trains and bus services at New Liskeard, four family dwellings for employees at Moosonee, and began construction of a new mechanical shop at Englehart.

Outlook:

In 1973 a reorganization of the corporate structure of the Ontario Northland was undertaken, which divided management responsibilities into the following areas:

- -Financial and Purchasing Services
- ---Corporate Services
- —Telecommunications, Air, Marine and Bus Operations
- -Marketing, Rail and Transport Operations

With this reorganization it is hoped that a high degree of service will be provided to the area served by the Ontario Northland. Although new, large facilities requiring Ontario Northland services are not anticipated during 1974, the capacity shipments of 1973 are expected to continue.

Introduction of air service, expansion of marine services and Ontario Northland's continued goal of providing first-class services to the residents of Northern Ontario were priorities in 1973 and will continue to be the prime objective in 1974. The success of these operations is due to the loyal contribution of all its employees which is gratefully acknowledged.

Yours very truly,

F. S. Clifford, General Manager.



Balance Sheet

as at December 31, 1973

ASSETS	1973	1972
	\$	\$
Current Assets		
Cash	633,616	209, 181
Accounts receivable (notes 1 and 8)	5,299,559	3,186,903
Material and supplies (note 2)	2,296,080	1,921,417
Prepaid insurance	23,400	22,700
	8,252,655	5,340,201
Deferred Charges and Other Assets—at cost		
Insurance and other funds (approximate market value	286,777	282,192
1973—\$263,000; 1972—\$265,000)	214,450	122,122
Bus franchises	20,000	20,000
Deposits	150,000	150,000
Investment in Telesat Canada	2,487	15,224
Other	673,714	589,538
Investment in Wholly Owned Subsidiaries—at cost	1,076,800	691,800
Investment in Property—at cost (note 7)		0.4.04.0.004
Road—main line and branches	86,703,768	84,910,601
-improvements-leased lines	4,223,932	5,349,590
—wholly owned subsidiary—	4.241,670	4,268,987
Nipissing Central Railway	24,885,633	26,013,542
Equipment—rail and highway—boat	216,509	216,509
—Doat	395,020	399,520
Other	3,588,828	_
Choshiplates p. 27000 (http://www.	124,255,360	121,158,749
Less: accumulated depreciation (notes 4 and 5)	39,726,735	39,394,811
	84,528,625	81,763,938
Contributory Pension Fund Held in Trust		
(approximate market value 1973—\$22,652,000; 1972—\$21,094,000)	24,283,803	21,276,728
	118,815,597	109,662,205

Approved on behalf of the Commission:

J. H. Jessiman, Chairman

F. S. Clifford, General Manager

1973	1972
\$	\$
	*
3,640,000	24,510,000
24,000,000	
6,312,396	3 ,795,933
33,952,396	28,305,933
286,777	282,192
-	67,607
60,101	39,971
346,878	389,770
30,207,935	30,207,935
24,283,803	21,276,728
30,024,585	29,481,839
	\$ 3,640,000 24,000,000 6,312,396 33,952,396 286,777 60,101 346,878 30,207,935 24,283,803

118,815,597 109,662,205

LITOR'S REPORT

Die Ontario Northland Transportation Commission and to the Minister of Transportation and Communications

have examined the balance sheet of the Ontario Northland Transportation Commission as at December 31, 1973 and the siments of income, retained income and source and application of funds for the year then ended. My examination included stream the accounting procedures and such tests of the accounting records and other supporting evidence as I pidered necessary in the circumstances.

y opinion these financial statements present fairly the financial position of the Commission as at December 31, 1973 and fesults of its operations and the source and application of its funds for the year then ended, in accordance with generally pled accounting principles applied, except as indicated in notes 3 and 4, on a basis consistent with that of the preceding

report on the audit, completed in accordance with section 39 of The Ontario Northland Transportation Commission Act, then made to the Commission and to the Minister of Transportation and Communications.

into, Ontario.

F. N. Scott, C.A., Provincial Auditor.



Ontario Northland Transportation Commission

Statement of Income

for the year ended December 31, 1973

	Year ended December 31, 1973	Year ended December 31, 1972
	\$	\$
Railway Operating Revenue	40,000,000	47 500 047
Freight services (note 1)	18,392,302	17,529,317
Passenger services	1,584,221	1,113,909
Express (note 1)	1,341,850	1,321,493
Communications (commercial)	8,658,066	8,357,560
All other (note 8)	2,620,337	2,355,530
Total operating revenue	32,596,776	30,677,809
Railway Operating Expense		
Road maintenance	5,099,609	5,299,252
Equipment maintenance	4,721,054	4,220,849
Traffic	378,722	343,027
Transportation	6,107,747	6,035,029
Express freight	1,150,158	1,062,341
Miscellaneous	455,155	386,031
Communications	5,559,356	5,283,834
General	2,938,441	2,062,741
Other: bus, boat line, hotel	1,781,707	1,405,668
Railway taxes—municipal	160,409	183,714
Equipment rents	655,120	572,772
Joint facility rents	(52,416)	(54,877
Total operating expense	28,955,062	26,800,381
Income from railway operations	3,641,714	3,877,428
Other Income	70.000	
Dividend—Star Transfer Limited	70,060	
Income before other charges	3,711,774	3,877,428
Other Charges		10 167
Interest on funded debt	1 004 500	19,167
Interest on unfunded debt	1,894,569	1,457,002 4,079
Discount and expense re debenture loan	7.020	10,880
Miscellaneous	7,030	10,000
Payments toward the unfunded liabilities of Contributory Pension Fund (note 6)	2,292,416	1,871,674
	4,194,015	3,362,802
Total other charges	4,194,015	0,00=,



tario Northland Transportation Commission

atement of Retained Income

the year ended December 31, 1973

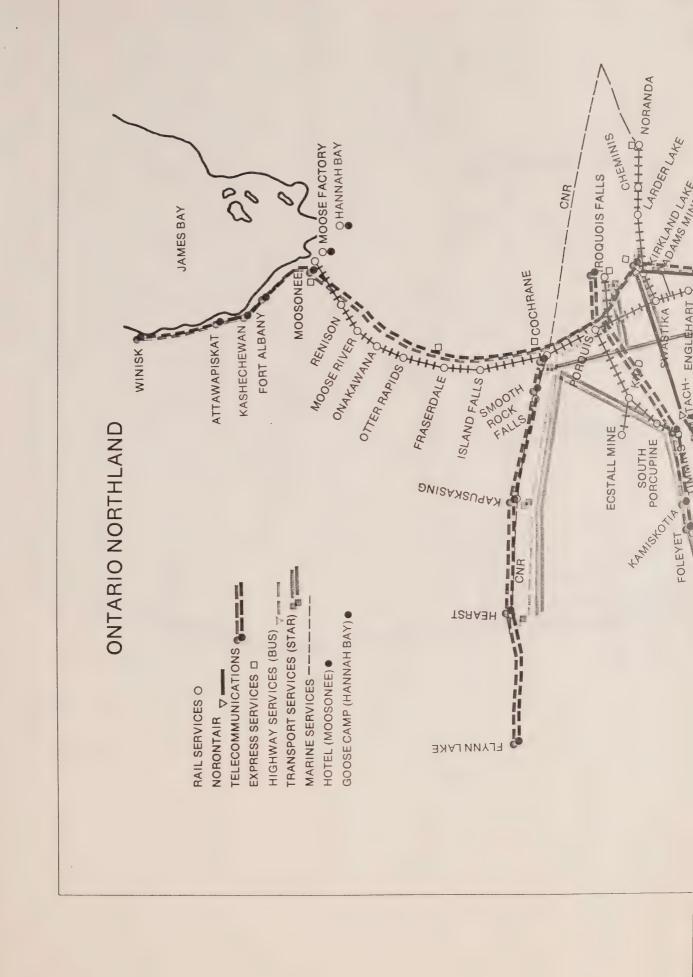
	Year ended December 31, 1973	Year ended December 31, 1972
	\$	\$
lance, beginning of year	29,481,839	28,953,781
d:		
t income for the year		514,626
ofit on sale of Noranda Toll Centre (note 7)	990,032	
ofit on sale of land	33,998	38,254
uchers and wages written off	957	1,371
	1,024,987	554,251
	30,506,826	29,508,032
duct:		
t loss for the year (notes 4 and 8)	482,241	
collectable accounts		26,193
	482,241	26,193
lance, end of year	30,024,585	29,481,839

atement of Source and Application of Funds

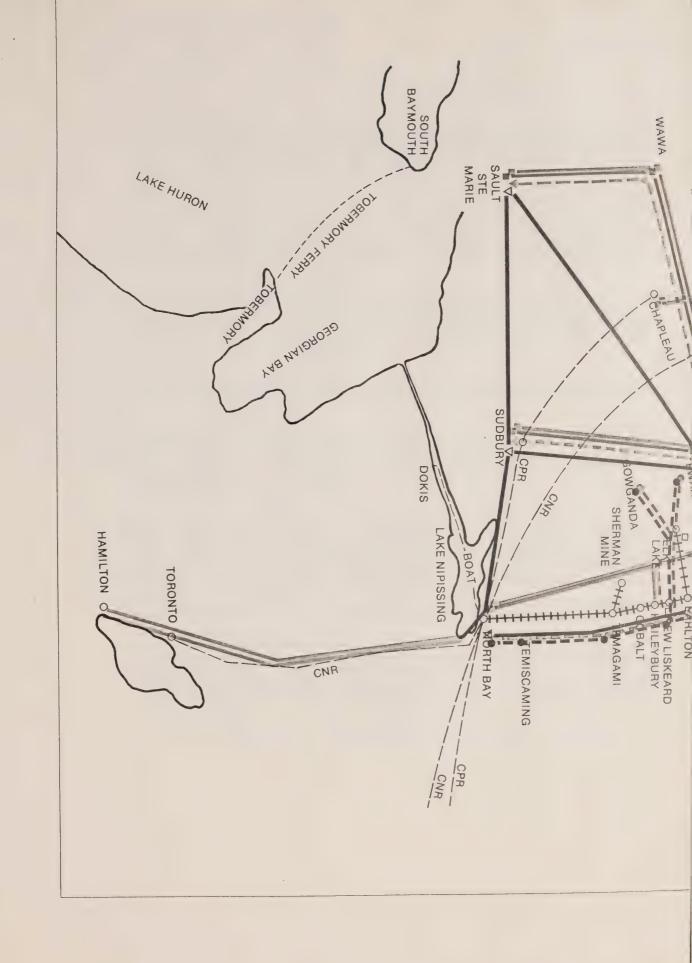
the year ended December 31, 1973

	1973	1972
	\$	\$
urce of funds		
t income (loss) for the year (notes 4 and 8)	(482,241)	514,626
preciation for the year (note 4)	3,629,501	3,140,111
oceeds on sale of Noranda Toll Centre (note 7)	1,870,000	
oceeds on disposal of other property	251,047	238,969
ner (net)	27,554	43,019
	5,295,861	3,936,725
plication of funds		
ditions to investment in property	7,484,935	4,068,963
restment in The Owen Sound Transportation Company Limited	385,000	_
estment in Telesat Canada		25,000
estment in Bus Franchise	92,328	
ferred rental revenue	67,607	101,410
	8,029,870	4,195,373
crease in working capital position	2,734,009	258,648











Notes to Financial Statements

December 31, 1973

1. Freight Rate Reduction.

Certain freight rates were reduced effective October 1, 1973. The Commission has been advised that a subsidy will be forthcoming from the Province of Ontario for the difference between the revenue which would have been generated under the old rates and the revenue actually generated under the new rates. For the three month period ended December 31, 1973 this difference amounted to \$87,500. The amount of \$87,500 is included in accounts receivable, with offsetting railway operating revenue included in freight services (\$42,500) and in express (\$45,000).

2. Materials and Supplies.

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

3. Change in Accounting re Project Expenditures.

In prior years project expenditures were charged to the applicable investment in property account at the time of disbursement. Effective with the year ended December 31, 1973, project expenditures are charged to an uncompleted project account at the time of disbursement. Upon completion of a project the total of the relevant expenditures are transferred to the appropriate investment in property account.

4. Change in Accounting re Disposal of Freight Cars.

In prior years the proceeds from disposal of freight cars were credited to the asset cost. The balance of the applicable asset cost was charged to the accumulated depreciation for the related class of assets.

Beginning with the year ended December 31, 1973 the proceeds from disposal of freight cars were credited to depreciation expense. The undepreciated capital cost of the applicable asset was charged to depreciation expense. For the year ended December 31, 1973 this change in accounting policy resulted in a net additional charge to depreciation expense of \$179,618. The net loss for the year was correspondingly increased.

5. Depreciation.

With the exception of highway equipment, depreciation is calculated on a straight line basis at rates based upon the estimated service life of the property. Highway equipment is depreciated on the diminishing balance basis at rates based upon the estimated service life of the equipment.

6. Contributory Pension Fund

As at December 31, 1973 based on the latest actuarial reviews less payments, the remaining unfunded liabilities of the Commission under its Contributory Pension Fund total \$30,428,182. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$10,985,075 represents the outstanding amount of unfunded liabilities created subsequent to January 1, 1965. The Commission has been making payments of interest and principal under The Pension Benefits Act. These payments have the effect of:

- -preventing an increase in the initial unfunded liability;
- -liquidating the balance of the unfunded liabilities over a period ending December 31, 1989.

7. Noranda Toll Centre

The Commission sold the Noranda Toll Centre, assets associated with its telecommunications system in the Province of Quebec, to Northern Quebec Telephone Inc. under an indenture dated January 2, 1973. This indenture stipulated that the "purchaser shall conform with all applicable stipulations under the Public Service Board Act (S.R.Q. 1964, ch. 229) and shall obtain any necessary or required approvals". The parties to the indenture agreed that, in the event the purchaser was unable to obtain such necessary or required approvals within a reasonable time, the transaction would be null and void. The purchase price would then be returned to Northern Quebec Telephone Inc. and the assets involved reconveyed to the Commission.

The Commission is advised that Northern Quebec Telephone Inc. has not as yet obtained necessary or required approvals. The possibility remains, therefore, that the sale transaction may ultimately be reversed in the books of the Commission.

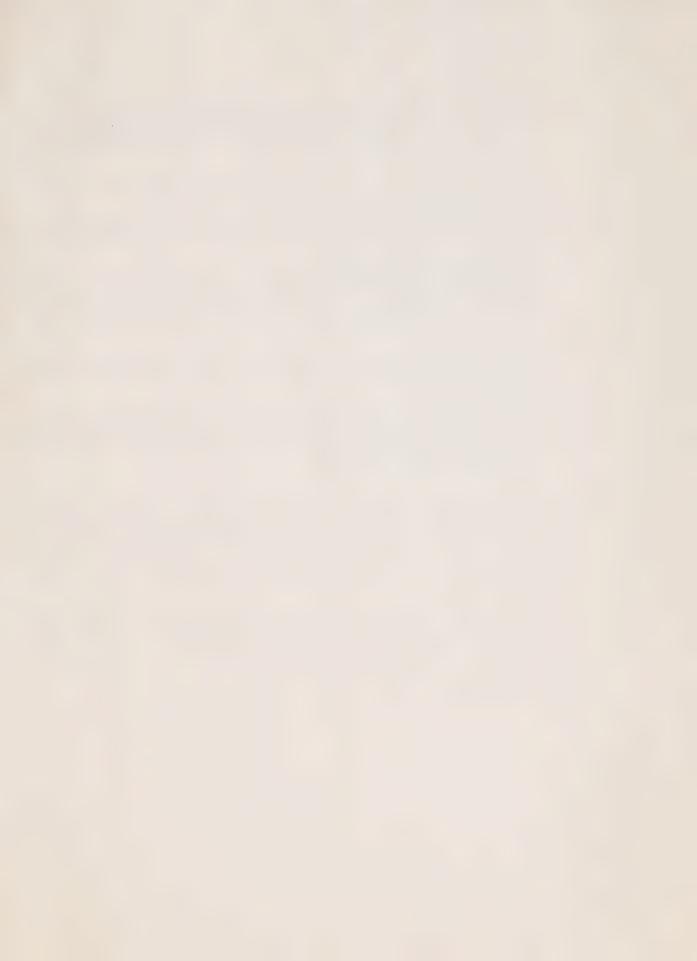
8. Accounts Receivable.

Accounts receivable include \$490,400 due or accrued from Ecstall Mining Limited (Texasgulf Inc.) for the rental of a spur line. Of this amount \$420,000 represents rental for the year ended December 31, 1973 and is included in 1973 railway operating revenue. The balance was included in 1972 railway operating revenue.

The payment of the \$490,400 is contingent upon the outcome of negotiations between the Commission and Ecstall Mining Limited with respect to certain freight rates. Since negotiations are still in progress, and the outcome is uncertain, no adjustment has been made in the 1973 accounts of the Commission.

9. Statement Presentation.

Certain of the 1972 comparative figures have been restated to reflect the account classifications adopted in 1973.



tario Northland Transportation Commission

In and Milliana Stall

ssenger Traffic	127,860
mber of Passengers carried earning revenue	33,835,000
mber of Passengers carried one mile	57,124
mber of Passengers carried one mile per mile of road	265
verage distance carried (miles)	*826.332
tal Passenger Revenue	6.46
verage amount received from each passenger	2.44
verage receipts per passenger per mile (cents)	*1,004,618
tal Passenger Train Service Revenue	1.696
assenger Service Train revenue per mile	1,000
eight Traffic	5.480.144
umber of tons carried earning revenue	980,371,000
umber of tons carried earning revenue per mile	1.655,165
umber of tons carried earning revenue per mile per mile of road	179
verage distance haul of one ton (miles)	18,130,183
otal Freight Revenue	3.31
verage amount received for each ton	1.85
verage amount received per ton per mile (cents)	30,609
reight revenue per mile of road	23.41
reight revenue per train mile	23.41
us Traffic	225.390
umber of Passengers carried earning revenue	1,283,789
otal Passenger Revenue	.59
verage receipt per passengers per mile (cents)	5.70
verage amount received per passenger	1,538,703
otal Passenger Bus Service Revenue	70.4
Sus Service Revenue per mile (cents)	1,450,346
otal Passenger Service Bus Expenses	66.3
otal Passenger Service Bus Expense per mile (cents)	2,186,362
otal Bus mileage operated 1973	2,100,002

^{*}Excludes Federal Subsidy of \$579,603 for years 1969-1972 inclusive.



Traffic and Mileage Statistics

Total Traffic	
Operating Revenue	32,643,345
Operating Revenue per mile of road	55.112
Operating Revenue per train mile	30.37
Operating Expenses	29,243,562
Operating Expenses per mile of road.	49.372
Operating Expenses per train mile	27.21
Net Operating Revenue	3,399,783
Net Operating Revenue per mile of road	5.740
Car Mileage	3.740
Average number of passengers carried one mile per car mile	10.0
Average number of passengers carried one mile per train mile.	19.6
Average number of passengers cars per train mile.	112.6
Mileage of passenger cars	7.1
Mileage of loaded freight cars.	2,143,965
Mileage of empty freight cars	16,363,857
Average number of freight cars per train mile	14,769,383
Average number of loaded freight cars per train mile.	40.20
Average number of empty freight cars per train mile.	21.13
Average number of tons of freight per train mile.	19.07
Average number of tons of freight per leaded on mile	12.66
Average number of tons of freight per loaded car mile.	59.9
Average number of miles operated 1973	592.3
Train Mileage	
Mileage of revenue passenger trains	300,408
Mileage of revenue freight cars	774.502
Total revenue train mileage	1,074,910



ntario Northland Transportation Commission

etails of Railway Equipment

	1972	Additions	Retirements	1973
comotives				
esel—Yard Switcher	4	whiteness	4	0
esel Road Switcher	15	5	3	17
oad "A" Units	20	_	2	18
	39	5	9	35
ssenger Equipment	33	3	9	33
rst Class	21			21
ombination	3	_		3
estaurant	1	_		1
nch First Class	4	_		4
ail and Express	11	_	3	8
x Baggage	2	-	2	0
	42	_	5	37
eight Revenue Equipment				
)X	814		180	634
at	81	25	6	100
pper	141		51	90
overed Hopper	31	40	_	71
ondola	100	_	1	99
	1,167	65	238	994
booses	19	_		19
eam Generator Cars	1	_		1
ork Equipment				
isiness Cars	4		1	3
other cars in Railway Service.	229	41	11	259
	253	41	12	282
tal of All Equipment	1,501	111	264	1,348
jhway Equipment				
s	16	2		18
ıcks	41	1	1	41
ailers	2	_	1	1
Ition Wagons	14	1	1	14
dans	6	6	1	11
rtable Piggy Back Ramps	2		_	2
iltainer	2	_		2
	83	10	4	89



Ontario Northland Transportation Commission

Miles of Track Operated

	Miles	
Main Line North Bay to Timmins Porquis to Cochrane	257.20 28.20	
Cochrane to Moosonee	186.20	471.60
Branch Lines Earlton to Elk Lake Welsh to Iroquois Falls Swastika Junction to Noranda Adams Junction to Dead End Sherman Mine Spur Texas Gulf Sulphur Spur	28.50 6.20 60.00 4.80 4.16 17.05	120.71
Other Tracks Yard Tracks and Sidings. Public Tracks. Under private Siding Agreement. Owned Outright by the Industry.	108.73 15.75 13.61 15.00	153.09 745.40



Star Transfer Limited Financial Statements and Auditor's Report

for the year ended December 31, 1973

Board of Directors

J. H. Jessiman, M.P.P., President, Thunder Bay

F. S. Clifford, Vice President, North Bay

E. A. Frith, North Bay

G. C. Demers, Chelmsford

I.W. Hollingsworth, Sault Ste. Marie

W. R. Thompson, Swastika

J. A. Kennedy, North Bay

R. Piche, Kapuskasing

T. G. Farmer, Q.C., Secretary, North Bay



Star Transfer Limited (Incorporated under the laws of Ontario as a Private Company)

Balance Sheet

as at December 31, 1973

ASSETS	December 31, 1973	December 31 1972
	\$	\$
Current		
Cash (including deposit receipts)	Warrison .	73,475
Guaranteed Investment Certificates, at cost		150,000
Accounts receivable (note 1)	1,131,232	697,074
Inventories—at cost—stores (note 2)	73,593	
—fuel (note 3)	9,429	8,670
Investments—Marketable Securities—at cost		
(approximate market value \$795,200; 1972—\$395,000)	832,125	387,750
Prepaid expenses and deposits (note 3)	24,715	18,870
	2,071,094	1,335,839
Mortgage receivable	1,331	1,331
Motor vehicle self-insurance fund	119,598	103,734
Fixed—at cost (note 4)		
Construction in progress (note 5)	29,482	35,443
Land	110,685	93,046
Buildings	706,101	659,358
Less: Accumulated depreciation	289,629	267,792
	416,472	391,566
Trucks, trailers and automobiles	2,446,414	2,402,232
Less: Accumulated depreciation	1,981,082	1,855,386
	465,332	546,846
Equipment, furniture and fixtures	202,422	183,970
Less: Accumulated depreciation	146,982	133,022
	55,440	50,948
	1,077,411	1,117,849
Truck franchise—at cost	187,760	187,760
	3,457,194	2,746,513

Approved on behalf of the Board:

J. H. Jessiman, President and Director

G. C. Demers, Vice-President and Director



ABILITIES	December 31, 1973	December 31, 1972
	\$	\$
rrent		
ank indebtedness	2,679	
counts payable and accrued expenseseceiver General re employees'	403,277	241,693
payroll deductions	72,955	5 6 ,186
crued wages	89,392	63,600
vidends payable	70,060	_
	638,363	361,479
eserve for motor vehicle self-insurance	119,598	103,734
apital and Retained Income		
Capital Stock		
Preference		
6% non-cumulative, redeemable,		
par value \$100 each		
Authorized, 443 shares	20.500	20 500
Issued and fully paid, 395 shares	39,500	39,500
Common Planta (100 analy		
Par value \$100 each		
Authorized, 200 shares Issued and fully paid, 145 shares	14.500	14,500
100000 directally pare, 1 to offer out.	54.000	54,000
ontails and account of	4.200	4,200
ontributed surplus	2,641,033	2,223,100
etained income	2,041,033	
	2,699,233	2,281,300
		0.746.540
	3,457,194	2,746,513

UDITOR'S REPORT

the Shareholders,

tar Transfer Limited, Timmins, Ontario.

oronto, Ontario. lay 14, 1974. F. N. Scott, C.A., Provincial Auditor.

I have examined the balance sheet of Star Transfer Limited as at December 31, 1973 and the statements of income. Italianed income and source and application of funds for the year then ended. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as were considered acessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Company as at December 31, 1973 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied, accept as indicated in note 2, on a basis consistent with that of the preceding year.

A report on the audit has been made to Star Transfer Limited and to the Minister of Transportation and Communications.



Statement of Income

	1973	1972
	\$	\$
Revenue		4 000 050
Transport trucking (note 1)	5,606,540	4,889,958
Commissions earned	14,189	10,969
Heating, icing and cold storage	31,196	34,003
Miscellaneous	81,740	57,119
	5,733,665	4,992,049
Expenses		
Labour expenses		4 704 040
Wages and allowances	2,106,779	1,781,919
Garage salaries and wages	303,168	272,059
Security guards' and watchmen's wages	34,145	28,644
Vacation pay	134,598	111,279
Employees' pension fund	90,974	84,605
Welfare payments under agreement	71,160	69,360
Unemployment insurance	23,799	19,827
Workmen's compensation	71,933	56,523
	2,836,556	2,424,216
Transporting and trucking expenses	497,654	440,860
Gasoline, oil and diesel fuel	332,393	406,377
Repairs to trucks and trailers (note 2)	71,214	78,239
Tires and tubes (note 2)	12,694	9,429
Garage supplies (note 2)	133,854	118,370
Licences	- /	5,866
Trip expense	5,733	28,215
Purchased transportation	100,857	86,771
Insurance	95,089	6,280
Heating and icing	6,034	8,622
Loading and stowing	5,692	1,077
Radiotelephone expense	2,123	3,415
Safety expense	2,291	41,733
Damages	92,729	10,897
Maintenance—Equipment	14,052	10,097
General equipment	6,264	4,794
Trucks, trailers and automobiles	199,428	234,363
	1,578,101	1,485,308
Property expenses	10.909	11,641
Rent	69,144	49,296
Joint terminal expenses		20,387
Light, heat and power	21,183	33,152
Municipal taxes	32,213	3,711
Miscellaneous	4,322	0,711
Maintenance— Buildings	19,358	15,375
Yard	5,779	6,453
Provision for depreciation—Buildings	21,837	20,378
FTOVISION TO DEPLECIATION DURINGS. FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF	184,745	160,393
Administrative expenses, as per statement attached	658,370	569,718
Auministrative expenses, as per statement attacked.	5,257,772	4,639,635
	475,893	352,414
Net income for the year (note 2)		



ar Transfer Limited

falson with a Ratali

the year ended December 31, 1973

	1973	1972
	\$	\$
lance at beginning of the year	2,223,100	1,850,569
id:		
et income for the year	475,893	352,414
d debts recovered	600	173
ofit on disposal of fixed assets	11,500	19,944
	487,993	372,531
	2,711,093	2,223,100
educt:		
vidends declared—* (1973 only)		
On preference shares	2,370	
On common shares	67,690	_
	70,060	_
lance at end of the year	2,641,033	2,223,100

)ividends declared:

Preference Shares—\$6.00 per share Common Shares —\$466.83 per share

latement of Contribute ! Surplus

the year ended December 31, 1973

lance December 31, 1973. \$ 4,200

o transactions during 1973)



Statement of Source and Application of Funds

for the year ended ended December 31, 1973

	1973	1972
	\$	\$
Source of Funds		
Net income for the year	475,893	352,414
Provision for depreciation	235,225	267,612
Proceeds from sale of fixed assets	19,293	36,852
Bad debts recovered	600	173
	731,011	657,051
Application of Funds		
Dividends declared	70,060	_
Additions to fixed assets	202,581	346,229
	272,641	346,229
Increase in working capital	458,370	310,822

Statement of Administrative Expenses

	1973	1972
	\$	\$
Directors' fees	11,600	9,600
Advertising	14,873	13,880
Association dues	7,448	6,757
Provision for doubtful accounts	3,080	5,644
Bank charges and interest	663	530
Legal and audit fees	7,718	13,581
Licence expense—franchises	250	788
Office and general	31,699	23,361
Salaries	460,954	405,717
Postage	5,127	4,442
Salesmen's expenses	2,823	3,722
Telephone, telegraph and teletype	31,700	28,651
Travelling	25,801	11,753
Donations	1,936	2,145
Group insurance	16,050	13,697
Employees' pension plan	24,901	12,286
Traffic department—stationery	1,011	2,086
Unemployment insurance expense	3,040	3,001
Provision for depreciation—Furniture and fixtures	7,696	8,077
	658,370	569,718



ar Transfer Limited

ecember 31, 1973

Freight Rate Reduction.

rtain freight rates were reduced effective October 1, 1973. The Company has been advised that a subsidy will be thooming from the Province of Ontario for the difference between the revenue which would have been generated under the trates and the revenue actually generated under the new rates. For the three month period ended December 31, 1973 this ference amounted to \$215,574. The amount of \$215,574 is included in the accounts receivable and transport trucking venue totals reflected in the financial statements.

Change in Accounting.

1972 and prior years the entire cost of vehicle parts and supplies purchased during the year was charged to operations. In 73 this practice was changed to the extent that only the utilized portion of parts and supplies purchased during the year was arged to operations. This change had the effect of increasing net profit for the year by \$73,593.

Reclassification.

1972 and prior years the value of fuel on hand at year-end was included under the balance sheet heading "Prepaid penses and deposits". In 1973 the value of fuel on hand at year-end has been shown separately. The 1972 comparative ures have been amended to reflect this reclassification.

Depreciation.

preciation on all classes of fixed assets was calculated at the prevailing Capital Cost Allowance rates allowed under the come Tax Act (Canada) on the diminishing balance basis.

Construction in Progress.

at December 31, 1973, expenditures incurred regarding expansion of the terminal at Maple, Ontario amounted to \$29,482. ese expenditures were of a preliminary nature.

Pension Plan.

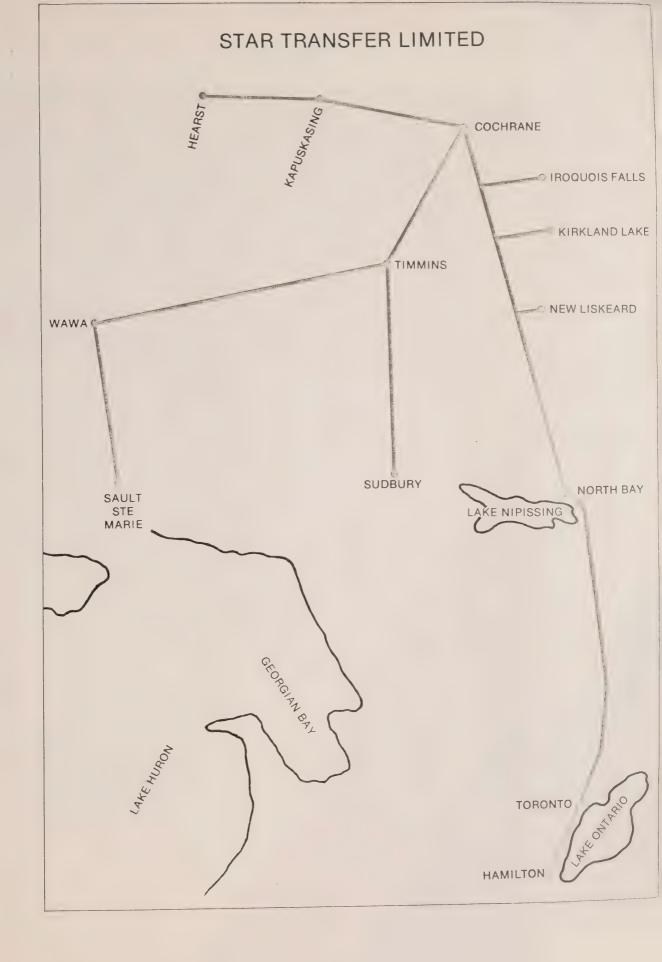
'evised pension plan for salaried employees came into effect on January 1, 1973. An actuarial valuation as at that date has tas yet been prepared. However, it is estimated that the unfunded liability of the plan as at January 1, 1973 was proximately \$272,000.

Pending determination of the actual unfunded liability, and the amount of annual payment necessary to liquidate the funded liability in accordance with the regulations under The Pension Benefits Act, no provision relative thereto has been ade in the accounts of Star Transfer Limited.

Comparative Figures.

mparative figures have been regrouped where necessary to conform with 1973 presentation.

B**





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74th Annual Report

PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Prime Minister

Honourable J. R. Rhodes, Minister
Ministry of Transportation and Communications

74TH
ANNUAL REPORT
OF THE
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

FOR THE YEAR ENDED
DECEMBER 31, 1974



MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

The Honourable Pauline M. McGibbon,
O.C., B.A., L.L.D., D.U. (Ott)
Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 74th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1974.

Respectfully submitted,

J. R. Rhodes, Minister.

June 4, 1975

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable J. R. Rhodes,
Minister of Transportation and Communications,
Parliament Buildings,
Toronto, Ontario

Sir:

I beg to submit the Annual Report for the year 1974 of Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

Roy K. McChesney, Acting Chairman.

June 2, 1975

Ontario Northland Transportation Commission

Roy K. McChesney, Acting Chairman, Timmins

I. W. Hollingsworth, Commissioner, Sault Ste. Marie

R. Piche, Commissioner, Kapuskasing

G. E. Carr, Commissioner, North Bay

W. J. Mathews, Commissioner, Cobalt

PRINCIPAL OFFICERS

F. S. Clifford, General Manager

T. G. Farmer, Q.C., Executive Director, Corporate Services

M. C. Hicks, Executive Director, Marketing, Rail and Transport Operations

L. K. Smiley, Executive Director, Telecommunications, Air, Marine, Bus Operations

D. E. MacDougall, Executive Director, Financial and Purchasing Services

Report of the General Manager

North Bay, Ontario May 30, 1975

r. Roy K. McChesney, cting Chairman.

or Ontario Northland, 1974 was a paradox. On the hand, the Commission continued to expand its ervices and assumed new and challenging responbilities. On the other hand, fixed rates for the ervices which we provide made it impossible for the formission to react to significant increases in operating costs. Nineteen seventy-four then was filled ith both challenge and frustration.

By an order of the Ontario Cabinet in 1973, the ommission was obliged to assist certain industries providing relatively low, short term freight rates, nother obligation of the same order was to provide esistance to certain communities which, without hat assistance, would not have received rail and bus envices since normal market factors would render the evision of those services uneconomic. The Commission gladly shoulders its responsibilities to Ontario's orth but the consequent costs must be recognized.

The financial statement of the Commission for the par 1974 truly reflects the costs of providing transportation and communication services to the people of the industry of Northern Ontario. Devastating flation, coupled with the freeze on freight rates and the extension of services mentioned above, have propried to paint a disappointing financial picture.

But Ontario Northland has other goals and objecres beyond those illustrated on the balance sheet and the income statement. Nineteen seventy-four we the Commission achieve some noteworthy obctives.

nproved Ferry Service

neteen seventy-four marked the first, full year of peration of the Owen Sound Transportation Compation. For those not familiar with this organization, it is iministered by the Ontario Northland Transportation remaission and operates the Manitoulin Island ferry rice. In late 1974, the Transportation Company anched the M.S. Chi-Cheemaun, a new, modern, 30 passenger, 113 automobile capacity ferry boat, its vessel replaces the S.S. Norisle and the M.S. orgoma. The advent of the Chi-Cheemaun brings the omise of a greater efficiency and capacity in this sential transportation service. While there may be me inconvenience in the shakedown phases of this w service, the Commission is enthusiastic about its 19 term prospects.

Nineteen seventy-four also saw the building of an new Chief Commanda for the Lake Nipissing and oper French River Cruise. Although this vessel was t christened in 1974, it was none-the-less born and a 1975 season will see it in full operation.

orOntair

rly in 1974, the main framework for the norOntair e was completed in Northeastern Ontario. Now, through this agency, we have extended air services to Sault Ste. Marie, Timmins, Kirkland Lake, the Tri-Town area, Sudbury and North Bay. During the fall season, services were extended to include flights from Kapuskasing to Timmins, and from there to Sudbury. The Kapuskasing-Timmins-Sudbury line is operated by White River Air Services under contract to the Commission. The other services are extended by a contract awarded to Bradley Air Services Limited. Passenger volume for 1974 reflected the increased services and the degree to which they were welcomed by the communities involved. Passenger volume was up 86% over 1973.

Preliminary work has been completed for the expansion of norOntair into Northwestern and Northcentral Ontario. Extended services will include the communities of Wawa, Thunder Bay, Pickle Lake, Dryden, Kenora and Fort Frances. The extension of air services, over the past two years, and into 1975 will permit east-west travel in Northern Ontario and avoid the bothersome necessity of travelling through Toronto. At the present time, the Commission has made approaches to the Canadian Transportation Commission with an eye to the extension of further services through 1975 and later years. As the name implies, norOntair is the airline of Northern Ontario and our efforts are directed toward making it truly so.

Rail Services

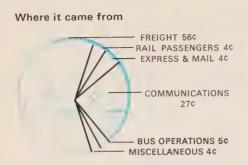
Rail services have been the backbone of the Ontario Northland Transportation Commission and continued to be so in 1974. The inflexibility of freight rates, not only within the Ontario Northland system, but across the country, vested severe problems and restrictions on all railroads. It is our hope that both the Provincial and Federal Governments will realize the difficulty faced by rail services and act in such a way that rail freight operations can be continued on a more economically sensible basis. Certainly, the Commission's efforts will be directed to delivering this message to both the Federal and Provincial agencies involved.

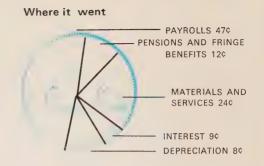
On a happier note relating to rail services, the Commission is pleased to report that the Polar Bear Express Excursion enjoyed another successful summer season. Some 40,060 passengers took advantage of this service. This volume represented an increase of 25% over the last full operating season which was the summer of 1972.

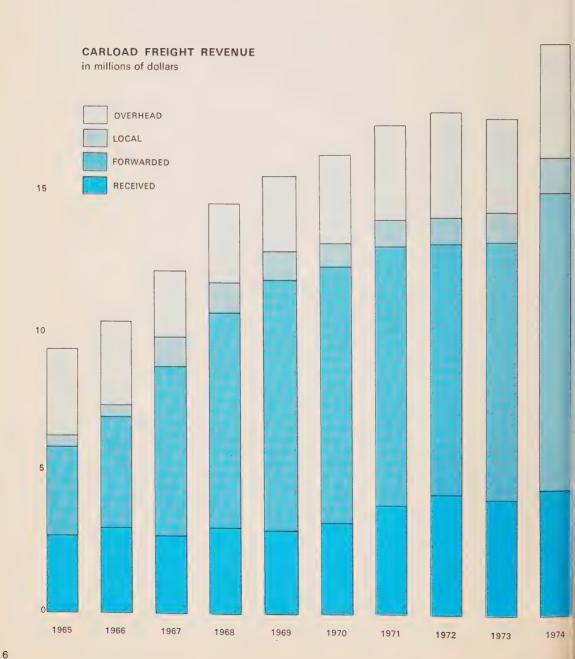
Transport Services

Both transport and express services showed modest revenue increases for Fiscal 1974. We anticipate continuing revenue growth in this area given the increased services offered by the Commission and the steady growth throughout Northern Ontario.

THE RAILWAY'S DOLLAR-1974







Expansion is underway in our fleet and in our nandling facilities. At the present time, a new terminal sunder consideration for Toronto and it is scheduled or construction late in 1975 or early in 1976.

Direct Distance Dialing

The Commission has taken considerable satisfaction in the success of the communications division, in 1974. For the first time, ever, the number of long listance calls placed in the system exceeded 7 million. On the revenue side, receipts were up 11% over 1973. This year we will begin the introduction of lirect distance dialing throughout the Timmins area, is an extension of our progress from 1974 to 1975. This added service of the communications division should be very favourably received.

3us Services

lighway passenger service and parcel express howed steady growth. However, limited bus fare acreases coupled with inflationary costs resulted in a light deficit for 1974.

Jutlook for 1975

lineteen seventy-five promises to be a challenging ear for Ontario Northland, once again in a very paradoxical way. All of us in Canada are faced with a national economy which is experiencing a period of no rowth. It would be very naive to predict that Ontario lorthland would go unaffected by the economic light of the country at large. Still, we have the honest prospect of modest but real growth in air, highway, elecommunications and marine services revenue. It is services will continue to be weak unless some progress is achieved in effecting a more realistic reight rate structure.

Among some of the new developments we look orward to is the recent Texasgulf announcement to puild a copper smelter and refinery as well as a potential fertilizer and cement plant at Kidd, Ontario. A second mine shaft designed to increase production has also been announced, all of which is contingent on Ontario and Federal Tax legislation. United Aspestos Incorporated asbestos mine in Midlothian fownship is due to start production in September, 1975, as is Canadian Johns-Manville's new talcoperation in Timmins and Cochrane Enterprises, new umber mill in Cochrane, Ontario.

Acknowledgements

One vital and continuing strength of Ontario Northand has been the on-going contributions and chievements made to the company by all of our imployees. As General Manager of Ontario Northand, I want to extend, on behalf of all of Management and the commissioners, our grateful appreciation for he loyal and patient contribution made by all members of the Ontario Northland family. We look forward in 1975 to working with new, recently appointed

Acting Chairman and Commissioners: R. K. McChesney, J. Mathews and G. E. Carr, and to have their fresh insights into the problems and workings of Ontario Northland.

To welcome new Commissioners is to say goodbye to old colleagues and friends. In the recent past, Messrs. W. R. Thompson, M. A. Palangio, J. A. Kennedy and G. C. Demers have left the Commission with the thanks and gratitude of those who worked with them. All of these gentlemen have made a significant contribution to the success of the Commission and their total years of service to Ontario Northland number 38. This in itself is indicative of the trust and confidence they enjoyed, not only as Commissioners of Ontario Northland but equally important, of the Northern communities they have served so well and so long. All of us at Ontario Northland have high hopes for 1975. Among those hopes lies the wish that we can properly serve the people, communities and corporations which rely on us and for whom we have the obligation of responsible and competent transportation and communication ser-

On the following pages is a more detailed summary of the activities of various departments of the Commission

Yours very truly,

F. S. Clifford, General Manager

Corporate Services

The rapid escalation of the Consumer Price Index had a significant effect on labour-management relations during the year. All major union groups participated in joint national negotiations which resulted in an unprecedented lump sum payment of \$350.00 to each employee to help offset the unexpected increase in the cost of living. In addition, a wage increase of 15% was negotiated for the year 1975 with protection against excessive future rises in the Consumer Price lines.

Regular meetings were held during the year between senior management people and the General Chairmen's Association, which continue to provide an excellent opportunity for exchange of information and discussion of matters of mutual interest.

A series of seminars were organized by the Training and Safety Department in conjunction with the Provincial Ministry of Labour, which were attended by supervisors and union representatives. The emphasis was on the obligations which were imposed on employers and employees by the Industrial Safety Act. As a result of this and other programmes, there was a marked decline in the number of employee injuries, particularly those involving lost time.

A Policies and Procedures Manual was developed

and copies allocated to all supervisory personnel. This manual contains, in standard format, all policies which have been formalized. New policies are being added as they are approved.

Preliminary work was undertaken toward a renewal of management training which will be carried out in 1975. Instructors have been recruited from within the organization and the initial offering will be for newly promoted supervisors.

Planning and Development

The Planning and Development Department are responsible to the Commission for corporate planning, industrial engineering, systems development, cost analysis and facilities development. The department provides both short and long term data to assist in managerial decisions, and maintain liaison with the Ministry concerning matters of concern to the Commission.

Major Projects in 1974 Included:

Completion of the M.S. Chi-Cheemaun which entered service in September.

Start of construction of the new Chief Commanda II at Callander.

Pre-design and property search for the new Toronto terminal for Ontario Northland Transport Services.

Preliminary implementation of Northwestern expansion of norOntair.

Completion of a preliminary study of rail passenger services to Northeastern Ontario.

The Systems Development function of the department began operation with the appointment of the Ontario Northland's first Systems Development Engineer in July.

Public Relations

During the year the new colour identification and symbol programme moved rapidly ahead.

In addition, advertising and pamphlet design was converted to reflect the new programme along with a 1975 publishing schedule for an increased number of promotional materials for norOntair, the new Chief Commanda II, the Chi-Cheemaun ferry boat and the extension of Direct Distance Dialing.

A bi-monthly, six-page newspaper, The Chevron, was introduced in October, 1974. This paper carries news stories, articles and general information items of interest to ON employees.

Air Service

1974 was a successful year of growth for Ontario Northland's local and feeder air service, norOntair. During the year, 27,393 persons were carried by norOntair, which constitutes an 86% growth rate over 1973.

A new format was implemented wherein Bradley Air Service took over flying operations on the original Timmins — Sault Ste. Marie — Sudbury — North Bay — Earlton — Kirkland Lake network. At the same time White River Air Service introduced norOntair over a new Kapuskasing — Timmins — Sudbury route.

While norOntair Northeast grew rapidly, plans for expansion to Northcentral and Northwestern Ontario proceeded to the point where applications to the Canadian Transport Commission were filed as follows:

- Air Dale Limited of Sault Ste. Marie to operate for norOntair on a Sault Ste. Marie Wawa Terrace Bay Thunder Bay Pickle Lake network; and
- 2. ON Air Limited, of Thunder Bay, to operate flying norOntair colours on a Thunder Bay Atikokan Fort Frances Kenora Dryden route.

Marine Services

The outstanding event of the year was the introduction of the all-vehicle, 3600-ton vessel, M.S. "Chi-Cheemaun" on the Tobermory — South Baymouth ferry service. A frustrating series of supply problems delayed the introduction of the new ship until late in the year, and the now obsolete vessels, Norgoma and Norisle, were forced to carry the load throughout most of the year. Despite the difficulties, nearly 120,000 persons were carried during the season.

Lake Nipissing marine operations saw the paying off and retirement of the venerable "Chief Commanda" at the close of the season. The traditions of the service will continue, however, as an all-aluminum twin hull vessel, to be christened "Chief Commandall", will follow her distinguished predecessor into service in 1975. A modern, luxury vessel, the new "Chief" has all-weather features which will allow for comfortable cruising on Lake Nipissing and the Uppel French River from early May until late October.

Telecommunications

Long distance calling continued to rise with a 28% increase in completed calls over the previous year's 6 million. This figure however, is somewhat misleading as about one-third of the increase resulted from taking over a local long distance operation consisting of short haul, low revenue traffic from the major local telephone company in the area, Northern Telephone Gross revenue rose 14% over 1973. A significant increase in the share of long distance revenue was afforded to Northern Telephone and affected 1974 expenses, but, a net revenue increase of 11% over 1973 was realized.

The community of Winisk on the shore of Hudsor Bay, was provided with modern long distance telecommunications through radio and power installations by Ontario Northland coupled with a lease 0 satellite services. Modern long distance facilities were













provided to the communities of Matachewan, Virginiatown and Larder Lake, permitting conversions in those places to dial telephone service. A second television network was extended from a Timmins outlet to Kapuskasing on Ontario Northland microwave, and microwave facilities were put into service to Hearst and 90 miles beyond to upgrade telecommunications to that area.

Work commenced on a modern direct dial machine designed to serve Timmins and area in early 1975. Other communities in the north will use this same machine in the following years when microwave changes now underway, are completed. Work also started on a 90-mile hydro line to serve Moosonee and Moose Factory which when completed will be sold to Ontario Hydro and allow the use of unrestricted amounts of electricity at lower rates than now

Passenger Services

Bus Services

As in the past several years good passenger growth increase was enjoyed in Highway Services with gross revenue increasing in excess of 17%. Tour revenue more than doubled from the previous year with tours originating to the Maritimes, and greater response to our Florida and South Carolina tours.

Bus Parcel Express indicates a steady increase in popularity enjoying a 25% increase in revenues.

The fleet was increased by 1 bus to 19 with the purchase of two 47-passenger buses and the sale of one 39-passenger bus.

Tourism

The Polar Bear Express once more demonstrated its appeal by another year of growth. However, some problems occurred as tourist traffic developed in peaks straining the capacity of the train.

Moosonee Lodge

Although our financial picture at the hotel was less than encouraging from previous years, a good increase in revenues indicated additional interest in our northern areas and particularly in the spring and fall periods. Polar Bear Express passengers provided substantial increases in meal revenues particularly for the smorgasbord.

Hannah Bay Camp

Once again, the goose camp at the Harricanaw River operated at capacity although early winter storms forced cancellation of the last hunt.

Express Services

Revenue increased \$97,890.00 (7.5%) for the year 1974 over 1973.

Three pick-up and delivery trucks were replaced, thus continuing the programme of updating equipment. The shed at Kirkland Lake, Ontario was insulated and heated, providing improved working conditions for employees. Then new dock carts were

purchased to handle additional tonnage at the New Liskeard terminal.

Local Express rates were not increased in 1974 and remain at least 20% below the National level. Package express rates were introduced on an interline basis in conjunction with CN and CP.

Rail Services

Mechanical Department

This department converted five (5) FP7A diesel units to auxiliary power control units for service in Ontario Government "GO" Service with the last unit being completed in the month of October, 1974. Four (4) 2,000 h.p. road switcher diesel units were purchased to modernize the locomotive fleet, and progress was also made toward upgrading our passenger car equipment.

Construction continued on the new car shop facility, and completion will be realized early in 1975.

Engineering Department

The Engineering Department laid 5.5 miles of continuous welded rail, renewed 18,000 ties and commenced a programme of reducing track elevation on curves with an end in view of overcoming rail wear. In addition, the department performed miscellaneous structure and signal system upgrades.

Transportation

No notable changes took place in this group, with the exception of a step-up in employee training to ensure a well-trained work force, particularly in the train dispatching forces.

Transport Services

Transport services continued to grow at a steady pact in 1974. Freight handled was 150,222 tons representing an increase of 6.3% over 1973.

Twenty-five high volume trailers and 24 heavy dutitractors were purchased during the year to upgrade the fleet, and thus better serve the communities in Northeastern Ontario.

The construction of a new terminal at Toronto is in the design stage and should be started in late 1975 of early 1976.

The opening of our own warehouse in Sudbury haproven successful, resulting in a considerable in crease in volume in that area during the past year.

Transportation Marketing

Nineteen seventy-four tonnages increased 4.65% to 5,185,000 tons, reflecting 77,971 carloads and corresponding freight revenues realized a growth 0 12.7% to \$20,436,000. Comparative figures, how ever, are somewhat misleading due to a 17-day wor stoppage in 1973 whereas 1974 operations were or a continuing basis. Upward adjustments in international rates as well as the higher tonnages contribute to the additional revenues.

A strong demand and corresponding short supply Zinc metal by mid-year accounted for a 12.7% crease in shipments of Zinc concentrates from exasgulf Canada Limited, Kidd Creek Mine.

Although Copper prices fell somewhat in the latter art of 1974, considerable increase in Copper constrate production from Texasgulf Canada Limited at the importation of this product from the U.S. and nile, coupled with Noranda Mines increased capacities, resulted in substantial increases in shipments, both and out of Noranda Mines Limited, Noranda, nuebec.

Newsprint demand remained strong throughout ost of the year and in the absence of any significant bour problems, both in the industry and on the ailway, volumes increased to 15.1% over 1973. nemicals for the newsprint industry reflected similar creases.

Ontario Paper Company, Thorold, Ontario, Woodnds Division, increased their cutting and shipping tivities in our area, which resulted in 58% increase shipments of pulpwood to 195,000 tons. The impletion of the highway between Matagami, Quesc and Fort George, Quebec, coupled with the high ater transportation costs from Moosonee, Ontario Fort George, Quebec, made the further use of possonee, as a transfer point for bulk petroleum oducts unviable. These facilities have now been reminated.

Internally, Transportation Marketing continued its

planned reorganization due to the additional responsibilities of Marketing, Sales and Pricing for Ontario Northland Transport. A Branch Office was established in Timmins, Ontario, with the addition of a Transport Marketing Representative who, with the present Branch Manager, is responsible for the on-line territory as well as Northeastern Ontario.

An additional Marketing Representative was assigned to the Branch Sales Office in Toronto to provide representation for transport services in Metro Toronto. In addition, other staff are now also involved in Transport as well as rail services, resulting in coverage of both facets of our operations in Metro Toronto and Southern Ontario.

A transport pricing division was established in the North Bay office and additional clerical staff was assigned to handle the added responsibilities.

Late 1974 saw the beginning of industrial development responsibilities within the Transportation Marketing Department and the next year or so should determine the extent to which we are to go in this field.

Although planned reorganization and growth is not yet completed, full marketing services are now offered and provided to our customers in Northern and Northeastern Ontario, with an office in Timmins; in Northwestern Quebec, in Noranda; in Toronto and Southern Ontario with an office in Toronto; and Metropolitan Montreal, the Eastern Townships; and Eastern Ontario with an agency in Montreal.

Balance Sheet

As at December 31, 1974

ASSETS	1974	1973
	5	S
Current Assets	172,366	633,6
Cash		5,203,8
Accounts receivable (note 3)	5,152,376	5,203,0
Due from wholly owned subsidiaries —accounts receivable	527,498	95,7
—advances receivable	880,000	
Materials and supplies (note 1a)	2,828,904	2,296,0
Prepaid insurance	26,500	23,4
	9,587,644	8,252,6
Deferred Charges and Other Assets—at cost		
Insurance and other funds (approximate market value		000
1974—\$218,251; 1973—\$263,000)	258,819	286,7
Bus franchises	212,679	214,4
Deposits	20,000	20,0
Investment in Telesat Canada	150,000	150,0
Other	655	2,4
	642,153	673,7
Investment in Wholly Owned Subsidiaries—at cost	1,076,800	1,076,8
Investment in Property—at cost (notes 1b, 2)		
Road—main line and branches	88,600,727	86,703,7
improvementsleased lines	4,227,123	4,223,9
Nipissing Central Railway	4,238,144	4,241,6
Equipment—rail and highway	27,115,615	24,885,6
—boat	216,509	216,5
Other	724,786	395,0
Uncompleted projects	12,773,674	3,588,8
	137,896,578	124,255,3
Less: accumulated depreciation (notes 1b, 2)	41,317,665	39,726,7
	96,578,913	84,528,6
Contributory Pension Fund Held in Trust	20 550 000	24.002
(approximate market value 1974—\$24,384,000; 1973—\$22,652,000)	28,558,689	24,283,
	136,444,199	118,815,

Approved on behalf of the Commission:

G.E. Carr, Commissioner

F. S. Clifford, General Manager

ABILITIES	1974	1973
	\$	\$
urrent Liabilities		
emand loans—Bank—guaranteed by		
Province of Ontario	4,110,000	3,640,000
—Province of Ontario	35,000,000	24,000,000
counts payable and accrued charges	7,722,974	6,312,396
	46,832,974	33,952,396
serves and Deferred Credits		
urance and other funds reserves	258,819	286,777
her	75,695	60,101
	334,514	346,878
ng Term Liabilities		
an from Province of Ontario, non-interest bearing	30,207,935	30,207,935
ontributory Pension Fund Held in Trust (note 4)	28,558,689	24,283,803
tained Income (note 2)	30,510,087	30,024,585

136,444,199

118,815,597

DITOR'S REPORT

the Ontario Northland Transportation Commission and to the Minister of Transportation and Communications

have examined the balance sheet of the Ontario Northland Transportation Commission as at December 31, 1974, and the lements of income, retained income and changes in financial position for the year then ended. My examination included a leral review of the accounting procedures and such tests of the accounting records and other supporting evidence as I isidered necessary in the circumstances.

n my opinion these financial statements present fairly the financial position of the Commission as at December 31, 1974, the results of its operations and the changes in its financial position for the year then ended, in accordance with generally epted accounting principles applied, on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of The Ontario Northland Transportation Commission Act, been made to the Commission and to the Minister of Transportation and Communications.

onto, Ontario, le 5, 1975. F.N. Scott, C.A., Provincial Auditor.

Statement of Income

	1974	1973
	\$	\$
Railway Operating Revenue	20,624,000	18,385,21
Freight services (note 3)	1,554,562	1,584,2
Passenger services	1,394,740	1,341,8
Express (note 3)	10,223,033	8,658,0
Communications (commercial)	3,173,285	2,620,3
	36,969,620	32,589,7
Railway Operating Expense		
Road maintenance	5,665,676	5,099,6
Equipment maintenance	4,642,569	4,721,0
Traffic	422,598	378,7.
Transportation	7,654,235	6,107,7
Express freight	1,258,250	1,150,1
Miscellaneous	588,551	455,1
Communications	6,702,815	5,559,3
General	3,659,635	2,938,4
Other: bus, boat line, hotel	2,247,331	1,781,7
Railway taxes — municipal	168,423	160,4
Equipment rents	744,480	655,1
Joint facility rents	(44,706)	(52,4
Total operating expense	33,709,857	28,955,0
Income from railway operations	3,259,763	3,634,6
Other Income		70.0
Dividend—Star Transfer Limited	_	70,0
Income before other charges	3,259,763	3,704,7
Other Charges		
Interest on demand loans	3,366,248	1,894,
of Contributory Pension Fund (note 4)	2,351,194	2,292,4
Total other charges	5,717,442	4,186,9
Net income (loss) before Provincial subsidy	(2,457,679)	(482,
Provincial Subsidy (note 3)	2,908,018	
Net income (loss) for the year (note 2)	450,339	(482,

Statement of Retained Income

	1974	1973
	S	s
Balance, beginning of year	30,024,585	29,481,839
Add:		
Net income for the year (note 2)	450,339	_
Profit on sale of Noranda Toll Centre	_	990,032
Profit on sale of land	30,721	33.998
Vouchers and wages written off	4,442	957
	485,502	1,024,987
	30,510,087	30,506,826
Deduct:		
Net loss for the year	_	482,241
Balance, end of year	30,510,087	30,024,585

Statement of Changes in Financial Position

	1974	1973
	\$	\$
Source of working capital: Net income (loss) for the year	450,339	(482,24
capital — depreciation expense (note 2)	3,273,643	3,629,5
Working capital provided from operations	3,723,982	3,147,2 1,870,0 251,0
Other items (net)	26,369	27,5
	4,065,728	5,295,86
Use of working capital: Additions to investment in property	15,611,317	7,484,9
Investment in The Owen Sound Transportation Company Limited		385,0 92,3
Investment in bus franchise	_	67,6
	15,611,317	8,029,87
Increase (Decrease) in working capital	(11,545,589)	(2,734,0
Components of decrease in working capital:		
Increase (decrease) in current assets Cash Accounts receivable Due from wholly owned subsidiaries Materials and supplies Prepaid insurance	(461,250) (51,453) 1,311,768 532,824 3,100	424,4 2,023,2 104,1 374,6
Prepaid insurance		2,927,1
	1,334,989	2,927,1
Decrease (increase) in current liabilities Demand loans—bank Demand loans—Province of Ontario Accounts payable and accrued charges	(470,000) (11,000,000) (1,410,578)	20,870,0 (24,000,0 (2,531,1
	(12,880,578)	(5,661,1
Increase (Decrease) in working captial	(11,545,589)	(2,734,0

Notes to Financial Statements

ecember 31, 1974

Accounting Policies

a) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of office furniture and equipment, which is charged to operations in the year of purchase. With the exception of highway equipment, depreciation is provided on a straightline basis at rates based upon the estimated service lives of depreciable property. Highway equipment is depreciated on the diminishing balance basis based upon the estimated service life of the equipment. Except for uncompleted projects, for which no depreciation is provided, depreciation is based on asset balances at the beginning of the year. For railway and telecommunication properties, the rates used are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows

 Road—main line and branches
 20 to 200 years

 Railway diesel locomotives
 25 years

 Railway freight cars
 33 years

 Boat
 50 years

c) Income Taxes

As a Crown Corporation of the Province of Ontario the Commission is exempt from income taxes, and accordingly no provision is reflected in operations.

Effect on Depreciation of Previous Year's Change in Accounting re Project Expenditures

December 31, 1972, project expenditures were charged to the applicable investment in property account at the time of isbursement. Effective with the year ended December 31, 1973, project expenditures are now charged to an uncompleted roject account at the time of disbursement. Upon completion of a project the total of the relevant expenditures are transferred to the appropriate investment in property account.

As a result of the above change, the 1974 charge for depreciation is approximately \$142,000 less than would have been harged under the previous method of accounting for project expenditures, since no depreciation is provided on uncompleted rojects.

. Provincial Subsidy

or the three months ending December 31, 1973, the Province of Ontario subsidized, to the extent of \$87,500, losses as a sult of the reduction of certain freight rates. This subsidy was included in railway operating revenues as freight services 642,500) and express (\$45,000). Further subsidies were not claimed by the Commission as these freight rates were increased uring the earlier months of 1974.

In 1974 the Province of Ontario provided funds for the purpose of subsidizing the net losses sustained by the Commission on spresently operated unprofitable services. The total subsidy for the year amounted to \$2,908,018. The portion thereof services to the Province at December 31, 1974, amounting to \$969,340, is included in accounts receivable.

. Contributory Pension Fund

s at December 31, 1974, based on the latest acturial reviews, less payments, the remaining unfunded liability of the ommission under its Contributory Pension Fund total \$27,940,070. Of this amount \$19,443,107 represents the initial nfunded liability as of January 1, 1965; the balance of \$8,496,963 represents the outstanding amount of unfunded liabilities reated subsequent to January 1, 1965.

The Commission has been making payments of interest and principal under The Pension Benefits Act. These payments have

-preventing an increase in the initial unfunded liability;

-liquidating the balance of the unfunded liabilities over a period ending December 31, 1989

Comparative Figures

ertain of the 1973 comparative figures have been restated to reflect the account classifications adopted in 1974.

Traffic and Mileage Statistics

Passenger Traffic	
Number of Passengers carried earning revenue	
Number of Passengers carried one mile	36,432,00
Number of Passengers carried one mile per mile of road	
Average distance carried (miles)	
Total Passenger Revenue	1,108,01
Average amount received from each passenger	
Average receipts per passenger per mile (cents)	
Total Passenger Train Service Revenue	1,364,14
Passenger Service Train revenue per mile	2,30
Freight Traffic	5.04.4.00
Number of tons carried earning revenue	5,814,68
Number of tons carried earning revenue per mile per mile of road	1,051,856,80
Average distance haul of one ton (miles)	1,775,88 18
Total Freight Revenue	20,269,57
Average amount received for each ton	3.4
Average amount received per ton mile (cents)	1.9
Freight revenue per mile of road	34.22
Freight revenue per train mile	25.5
Bus Traffic	
Number of Passengers carried earning revenue	252,01
Total Passenger Revenue	1.488.73
Average receipt per passengers per mile (cents)	.6
Average amount received per passenger	7.1
Total Passenger Bus Service Revenue	1,805,20
Bus Service Revenue per mile (cents)	78.
Total Passenger Service Bus Expenses	1,871,30
Total Passenger Service Bus Expense per mile (cents) Total Bus mileage operated 1974	81.
Total Traffic	2,299,16
Operating Revenue	26.060.62
Operating Revenue per mile of road	36,969,62 62,41
Operating Revenue per train mile	34.0
Operating Expenses	33,709,85
Operating Expenses per mile of road	56,91
Operating Expenses per train mile	31.0
Net Operating Revenue	3,259,76
Net Operating Revenue per mile of road	3.00
Car Mileage	
Average number of passengers carried one mile per car mile	15.
Average number of passengers carried one mile per train mile	123.
Average number of passengers cars per train mile	7.
whileage of passenger cars	2,285,09
whicage of loaded freight cars	16,922,08
Through of empty fieight cars , , , , , , , , , , , , , , , , , , ,	15,045,49
Average number of freight cars per train mile	40.3
Average number of loaded freight cars per train mile Average number of empty freight cars per train mile	21.3
Average number of empty freight cars per train mile Average number of tons of freight per train mile Average number of tons of freight per train mile	18.9
The sage from the following the figure that the figure is a same of the figure	13.2
Average number of miles operated 1974	62. ¹ 592.
Train Mileage	592.
Mileage of revenue passenger trains	204.29
	294,38 792,31
Total revenue train mileage	1.086.69
	1,000,00

etails of Railway Equipment

Seel Road Switcher		1973	Additions	Retirements	1974
Seed	comotives				
Sesenger Equipment Sesenge			7		
Seenger Equipment St Class 21	ad "A" Units	18		3	15
St Class 21		35	7	4	38
mbination 3	ssenger Equipment				
Staurant		21	_	_	21
Section Sect		3	-	1	2
Second			_	_	
Sight Revenue Equipment Sight Revenue Eq				2	
Fight Revenue Equipment	and Express	8			8
Comparison of the comparison	:	37	-	3	34
t 100 — 1 99 pper 90 — 3 87 pered Hopper 71 — — 71 pdola 99 — 99 posses 994 — 24 970 posses 19 — 1 18 pam Generator Cars 1 — 1 18 pam Generator Cars 3 — — 1 pork Equipment posses 3 — — 3 pother cars in Railway Service 259 2 19 242 pal of All Equipment 1348 9 51 1306 posses 18 4 2 20 posses 2 19 245 pal of All Equipment 1348 9 51 1306 posses 18 4 2 20 posses 2 19 245 posses 2 2 19 245 posses 2 2 19 245 posses 3 1	ight Revenue Equipment				
Sper 90	¢	634	aman	20	614
Pered Hopper 71 — — 71 Indola 99 — — 99 994 — 24 970 Process 19 — 1 18 Sam Generator Cars 1 — — 1 Process 3 — — 3 Sother cars in Railway Service 259 2 19 245 Sal of All Equipment 1348 9 51 1306 Process 41 27 11 57 Illers 1 — 1 0 Stion Wagons 14 10 — 24 Jans 11 11 — 22 Pable Piggy Back Ramps 2 — — 2 Bitainer 2 — — 2	t	100	_	•	
Padola 99			_	3	
994				_	
19	andola	99			99
Sam Generator Cars		994	_	24	970
Frk Equipment 3 — — 3 other cars in Railway Service 259 2 19 242 262 2 19 245 al of All Equipment 1348 9 51 1306 ryhway Equipment 3 4 2 20 cks 41 27 11 57 illers 1 — 1 0 tion Wagons 14 10 — 24 Jans 11 11 — 22 table Piggy Back Ramps 2 — — 2 Eltainer 2 — — 2	booses	19	_	1	18
Siness Cars 3	Sam Generator Cars	1	_	-	1
259 2 19 242 262 2 245 262 2 245 262 2 245 262 2 245 245 262 2 245					
262 2 19 245 al of All Equipment 1348 9 51 1306 3		_	_		_
Section Wagons 14 10 24 State 18 4 2 20 Coks 41 27 11 57 Stign 1 — 1 0 Stign 14 10 — 24 Stans 11 11 — 22 Stable Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2	Nother cars in Railway Service	259	2	19	
18 4 2 20		262	2	19	245
18 4 2 20 10cks 41 27 11 57 11ers 1 — 1 0 10 or tion Wagons 14 10 — 24 10 or tion Wagons 11 11 — 22 11 or tion Wagons 11 11 — 22 12 or tion Wagons 2 — — 2 13 or tion Wagons 2 — — 2 14 table Piggy Back Ramps 2 — — 2 15 table Piggy Back Ramps 2 — — 2 16 table Piggy Back Ramps 2 — — 2 17 table Piggy Back Ramps 2 — — 2	al of All Equipment	1348	9	51	1306
cks 41 27 11 57 ilers 1 — 1 0 tion Wagons 14 10 — 24 tans 11 11 — 22 table Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2	jhway Equipment				
illers 1 — 1 0 tion Wagons 14 10 — 24 blans 11 11 — 22 table Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2	35	18	4	2	
Stion Wagons 14 10 — 24 Stans 11 11 — 22 Pable Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2		41	27		
Stans 11 11 — 22 P table Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2			-	1	
Patable Piggy Back Ramps 2 — — 2 Ritainer 2 — — 2		• •			
Ritainer 2 — 2			11		
				-	
89 52 14 127	sitainer				
		89	52	14	127

Miles of Track Operated

	Mile	s
Main Line North Bay to Timmins	257.20	
Porquis to Cochrane	28.20	
Cochrane to Moosonee	186.20	471.6
Branch Lines		
Earlton to Elk Lake	28.50	
Welsh to Iroquois Falls	6.20	
Swastika Junction to Noranda	60.00	
Adams Junction to Dead End	4.80	
Sherman Mine Spur	4.16	
Texas Gulf Sulphur Spur	17.05	120.7
Other Tracks		
Yard Tracks and Sidings	109.60	
Public Tracks	15.20	
Under private Siding Agreement	13.20	
Owned Outright by the Industry	15.00	153.0
		7453

STAR TRANSFER LIMITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED

DECEMBER 31, 1974

Board of Directors

Roy K. McChesney, President, Timmins
F.S. Clifford, Vice-President, North Bay
I.W. Hollingsworth, Sault Ste. Marie
R. Piche, Kapuskasing
G.E. Carr, North Bay
W.J. Mathews, Cobalt
T.G. Farmer, Q.C., Secretary, North Bay

Star Transfer Limited

Balance Sheet

As at December 31, 1974

ASSETS	1974	1973
	\$	\$
Current		
Cash	438,287	
Marketable securities at cost (market		
value \$710,813; 1973—\$795,200)	832,125	832,1
Accounts receivable	1,063,938	902,9
Due from Province of Ontario (note 4)	1,031,626	215,5
Inventories of fuel, parts and supplies—at cost	120,025	83,0
Prepaid expenses and deposits	13,851	24,7
	3,499,852	2,058,4
Mortgage receivable—due May 1, 1978	1,281	1,3
Motor Vehicle self-insurance fund (note lc)	141,573	119,5
Fixed		
In service, at cost (note la)	4,033,723	3,465,6
Less: accumulated depreciation	2,747,620	2,417,6
	1,286,103	1,047,92
Under construction—at cost	64,834	29,4
	1,350,937	1,077,4
Truck franchise, at cost	187,760	187,7

5,181,403 3,444,50

Approved on behalf of the Board:

G. E. Carr, Director

F. S. Clifford, Director

IABILITIES	1974	1973
	\$	\$
Current		
ank indebtedness	_	2,679
ccounts payable and accrued charges	725,318	457,991
lue to parent company		
—accounts payable	493,739	94,942
—advances payable	750,000	_
ividends payable	_	70,060
	1,969,057	625,672
leserve for motor vehicle self-insurance	141,573	119,598
apital and Retained Income		
Capital Stock		
Preference		
6% non-cumulative, redeemable		
par value \$100 each		
Authorized, 443 shares	00.500	20.500
Issued and fully paid, 395 shares	39,500	39,500
Common		
Par value \$100 each		
Authorized, 200 shares	14.500	14,500
Issued and fully paid, 145 shares	14,500	14,500
	54,000	54,000
contributed surplus	4,200	4,200
letained income	3,012,573	2,641,033
	3,070,773	2,699,233
	5,181,403	3,444,503

IUDITOR'S REPORT

o the Shareholders,

tar Transfer Limited, Timmins, Ontario.

I have examined the balance sheet of Star Transfer Limited as at December 31, 1974, and the statements of income, stained income and changes in financial position for the year then ended. My examination included a general review of the counting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the incumstances.

In my opinion these financial statements present fairly the financial position of the Company as at December 31, 1974, and he results of its operations and the changes in its financial position for the year then ended, in accordance with generally ccepted accounting principles which, except for the change as referred to in note 2 to the financial statements, have been pplied on a basis consistent with that of the preceding year.

A report on the audit has been made to Star Transfer Limited and to the Minister of Transportation and Communications.

oronto, Ontario, une 5, 1975. F. N. Scott, C.A., Provincial Auditor.

Statement of Income

	1974	19
	\$:
Revenue		
Transport services	5,982,267	5,45
—subsidies and compensation (note 4)		
nvestment income	1,550,360	21
The strict income	68,270	6
Expenses	7,600,897	5,733
abour		
Salaries and wages	3,240,392	2,578
Pension fund and welfare payments	209.920	162
Unemployment insurance	40,219	23
Workmen's compensation	106,968	7
	3,597,499	2,836
ransport and trucking	3,597,499	2,030
Gasoline, oil, and diesel fuel	660,629	497
Repairs to trucks and trailers	603,388	332
Tires and tubes	55,579	71
Garage and supplies	20,623	12
Licences	140,916	133
Purchased transportation	208,481	100
Insurance	94,955	9!
Damages	102,274	92
Miscellaneous	34,665	2
Equipment—maintenance	28,636	14
depreciation	307,760	194
roperty	2,257,906	1,566
Rent	14,601	10
Joint terminal expense	135,060	69
Light, heat and power	29,289	2
Municipal taxes	32,840	32
Building and yard—maintenance	47,304	29
—depreciation	21,121	2
	280,215	184
Iministrative		
Salaries Directors' fees	700,379	460
Directors' fees Employee benefits	9,200	11
Office and general	67,295	43
Travelling expenses	86,422	43
Advertising	46,787	28
Legal	15,391	14
Telephone and teletype	6,448	7
Association dues	41,704	31
interest on advances from parent company	7,876	7
parent company	40,092	
Depreciation—furniture and fixtures	63,460 8,683	7
tal expenses	1,093,737	657
et income for the year (note 2)	7,229,357	5,245
		487

atement of Retained Income

1974	1973
\$	\$
2,641,033	2,223,100
371,540	487,993
3,012,573	2,711,093
	70.060
3 012 573	2,641,033
3,012,973	
1974	1973
\$	\$
074 540	407.002
3/1,540	487,993
337,564	223,725
709,104	711,718
2,200	19,293
711,354	731,011
612.200	202,580
613,290	70,060
613,290	272,640
	458,371
438,287	(73,475)
_	(150,000)
160 971	444,375 220,611
	215,574
37,003	74,352
(10,864)	5,845
1,441,449	737,282
2,679	(2,679)
(267,327)	(102,844)
(1,148,797)	(103,328
	(70.060)
70,060	(70,000
70,060 (1,343,385)	
	(278,911) 458,371
	\$ 2,641,033 371,540 3,012,573 3,012,573 3,012,573 371,540 337,564 709,104 2,200 50 711,354 613,290 98,064 160,971 816,052 37,003 (10,864) 1,441,449 2,679 (267,327)

Notes to Financial Statements

December 31, 1974

1. Accounting Policies

(a) Fixed assets and depreciation

Fixed assets in service are stated at acquisition cost and consist of:

	1974		1973	
	Cost	Accumulated Depreciation	Cost	Accumul Deprecia
	\$	\$	\$	\$
Land	110,685		110,685	
Buildings	716,555	310,750	706,101	289.€
Trucks, trailers and automobiles	2,972,721	2,272,962	2,446,414	1,981,0
	233,762	163,908	202,422	146,9
	4,033,723	2,747,620	3.465.622	2,417,6
	2,747,620		2,417,693	2,117,0
	1,286,103		1,047,929	

Depreciation is provided on the diminishing balance method, generally using rates of from 5 to 10 per cent per annum buildings, 30 per cent per annum for automotive equipment and 20 per cent per annum for other equipment.

b) Income Taxes

As a wholly-owned subsidiary of Ontario Northland Transportation Commission, the Company acquires the tax exenstatus of a Crown Corporation of the Province of Ontario and accordingly no provision is reflected in operations.

(c) Self-Insurance

The Company self-insures motor vehicle collisions by funding amounts charged to earnings that compare to premiu available from insurance companies for such coverage.

2. Comparative Figures

The 1973 comparative figures have been reclassified where necessary to conform with 1974 presentation. For comparative purposes, the 1973 financial statements have been restated to reflect bad debts recovered and profits on disposal of fix assets as elements of income for the year, as opposed to retained income. As a result, 1973 net income, previously reported \$475,893 has been restated as \$487,993.

3. Pension Plan

A revised pension plan for salaried employees came into effect on January 1, 1973. An actuarial valuation as at that date h not as yet been prepared. However, it is estimated that the unfunded liability of the plan as at January 1, 1973, w approximately \$272,000.

Pending determination of the actual unfunded liability, and the amount of annual payment necessary to liquidate the unfunded liability in accordance with the regulations under The Pension Benefits Act, no provision relative thereto has been made in the accounts of Star Transfer Limited.

4. Freight Rate Subsidies and Compensation

Certain freight rates were reduced effective October 1, 1973. The difference between the revenue which would have been generated under the old rates and the revenue actually generated under the new rates is being subsidized by the Province Ontario. Additionally, the Company is being compensated by the Province of Ontario for loss of revenue due to certain industrial freight rate increases which were not taken by the Company.

THE OWEN SOUND TRANSPORTATION COMPANY LIMITED

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 1974

Board of Directors

Roy K. McChesney, President, Timmins F.S. Clifford, Vice-President and General Manager, North Bay H.F. Gilbert, Toronto G.E. Carr, North Bay W.J. Mathews, Coba® T.G. Farmer, Q.C., Secretary, North Bay D.E. MacDougall, Treasurer, North Bay

Balance Sheet

As at December 31, 1974 (with comparative amounts at December 31, 1973)

	1974	19
ASSETS Current	\$	9
Cash	21,076	163,
Accounts receivable	2,138	
Accounts receivable re sale of vessel Due from Province of Ontario Ministry of	36,100	
Transportation and Communications	121,018	
Inventories, valued at cost	563	7,8
Income taxes recoverable	238	4
Deferred prepaid insurance charges	57,000	5,8
	238,133	177,5
Fixed (note 3)		
Land, buildings, vessels, equipment and		
automotive equipment, at cost	979,917	1,527,5
Less: Accumulated depreciation	889,595	1,417,9
04.	90,322	109,6
Other		
Goodwill, at cost	13,000	13,0
	341,455	300,1

Approved by the Board:

G. E. Carr, Director

F. S. Clifford, Director

BILITIES	1974	1973
rent	\$	\$
ns payable	130,000	
ounts payable and accrued charges	23,074	4,553
sidy refunds payable	_	107,255
	153,074	111,808
AREHOLDERS' EQUITY		
re capital (note 5)	34,990	34,990
ained earnings (page 4)	153,391	153,391
	188,381	188,381

341,455

300,189

UITORS' REPORT

e Shareholders The Owen Sound Transportation Company Limited

e have examined the balance sheet of The Owen Sound Transportation Company Limited as at 31st December, 1974 and etatements of operations and changes in financial position for the year then ended. Our examination included a general wo of the accounting procedures and such tests of accounting records and other supporting evidence as we considered ssary in the circumstances.

our opinion, these financial statements present fairly the financial position of the company as at 31st December, 1974 and essults of its operations and the changes in financial position for the year then ended, in accordance with generally accepted Cunting principles applied on a basis consistent with that of the preceding year.

An Sound, Ontario March, 1975

G.H. Ward & Partners **Chartered Accountants**

Statement of Retained Earnings

For the year ended December 31, 1974 (with comparative amounts for 1973)

	1974	19
Balance beginning of year	153,391	135
Add: Net income for the year		18
Balance end of year	153,391	153

atement of Operations

the year ended Decémber 31, 1974 (with comparative amounts for 1973)

	1974	1973
	8	\$
fit on Ferry Operations (page 6)	106,658	92,822
osidies		42,745
	106,658	135,567
neral Expenses		
ertising	13,558	6,230
omobile expense	480	0,230
ital tax	_	260
ms	4,163	2.156
ections and credits	_	8
reciation	15.345	17,249
elopment expense—"Chi -Cheemaun"	18,782	
ations	50	1,035
ployee benefits—Canada pension plan	7,309	6,145
—Hospital and medical	7,145	6,432
—Unemployment insurance	8,826	5.412
y franchise fee and bond	_	600
rest	2,689	3,070
rance claims not recoverable	690	231
ırance	1,605	1,107
al and professional fees	1,040	1,200
nt, heat and water	687	1,541
cellaneous	4,138	2,378
ctage	1,558	1,448
ting and stationery	2,261	1,168
airs to building	164	104
airs to docks	126	81
aries and wages—office and agents	62,418	52,755
aries and wages—docks	51,719	_
aries and wages—administration	34,647	_
s-municipal	1,282	1,281
phone and telegraph	2,778	1,644
Eporary dock facility	1,119	_
eninals expense	1,402	_
rel	7,606	2,825
	253,587	116,360
	(146,929)	19,207
er Income	3.299	2,293
et, interest and other	22,612	2,233
aptured depreciation	22,012	
	25,911	2,293
	(121,018)	21,500
nome Taxes (note 1)		3,481
Income (Loss) for the Year Before	(121,018)	18.019
lecovery from Province	(,0)	
f Transportation and Communication, (note 1)	121,018	
income (loss) for the year	_	18,019
modifie (ioss) for the year		

Statement of Ferry Operations

for the year ended December 31, 1974 (with comparative amounts for 1973)

Revenue Passengers Ferry Freight Canteen profit Tavern profit Miscellaneous	Chi-Cheemaun \$ 	Norgoma \$ 299 431,299 	919 360,452 — 11,085 7,185 — 379,641	1974 Total \$ 1,218 868,335 — 23,324 15,992 —	2, 747, 22, 10,
Operating Expenses Wages Fuel Oil and lubricants	113,537 23,837	166,820 45,539 2,197	124,074 77,501 885	404,431 146,877 3,082	433, 63, 2.5
Ships' stores Provisions Laundry Repairs—Captains' Dept.	1,720 7,292 533 64	3,352 32,252 9,769 532	2,378 22,304 6,336 483	7,450 61,848 16,638 1,079	5, 52,0 17,1
Repairs—Engineers' Dept. Repairs—Stewards' Dept. Overhauls Renewals and replacements	102 8 6,756 —	560 202 25,789 172	866 100 55,856 48	1,528 310 88,401 220	2,3 72,2
Sewage disposal	248 23,782 177 —	6,105 11,145 723 853	4,575 11,517 1,515 815	10,928 46,444 2,415 1,668	7,9 21,9 2,2 1,8
Profit (loss) on ferry	1,482 920 180,458	1,497 1,230 308,737	2,597 1,166 313,016	5,576 3,316 802,211	4,7 1,7 690,7
operations	(100.915)	140,948	66,625	106,658	92,8

itement of Changes in Financial Position

e year ended December 31, 1974 (with comparative amounts for 1973)

	1974	_ 1973
ce of Working Capital	\$	\$
ncome for the year		18,019
sactions not requiring an outlay of funds		
epreciation	15,345	17,249
acaptured depreciation	(22,612)	
	(7,267)	35,268
gage principal received	_	13,962
of fixed assets	36,175	8,000
	28,908	57,230
of Working Capital		E 250
hase of fixed assets	9,600	5,250
ase in Working Capital	19,308	51,980
atement of Working Capital		
scember 31, 1974 and 1973		
	1974	1973
king Capital, end of year	\$	\$
ant assets	238,133	177,559
ent liabilities	153,074	111,808
king Capital	85,059	65,751
king Capital, beginning of year	65,751	13,771
Base in Working Capital	19,308	51,980

Notes to the Financial Statements

As at December 31, 1974 (with comparative amounts at December 31, 1973)

1. All of the issued capital stock of the company is owned by the Ontario Northland Transportation Commission, a comm of the Province of Ontario. Due to government ownership no income taxes are provided for and the Ministry of Transportant Communications of the Province of Ontario reimburses the company for all net losses sustained.

2. Accounting Policy

Depreciation: The company provides depreciation on all its fixed assets using the diminishing balance method. The rates follows:

 Buildings
 —10%

 Vessels
 —15%

 Equipment
 —10%—20%

 Automotive equipment
 —30%

3. Fixed Assets

Fixed assets are classified as follows:

	Cost \$	Accumulated Depreciation	Net Book Value \$	Ž
Land Buildings	14,600 5,395		14,600	14
vessels (note 4)	929,243	5,025 863,816	370 65,427	90
Equipment	18,436 12,243	15,856 4,898	2,580 7,345	2
	979.917	889.595	90.322	109

4. The only vessel currently operating, the M.S. "Chi-Cheemaun" was constructed and is owned by the Ministry of Trans and Communications and the Province of Ontario. Accordingly, only the operating costs and revenue are recorded in accounts of the company for this vessel.

5. Share Capital	1974	197
Authorized:		
8,696 common shares, par value \$10 each	\$	\$
Issued:		
3,499 common shares	34,990	34,9

norOntair
OPERATED BY THE
ONTARIO NORTHLAND
TRANSPORTATION COMMISSION
FOR THE GOVERNMENT
OF THE PROVINCE
OF ONTARIO

FINANCIAL STATEMENT

FOR THE PERIOD

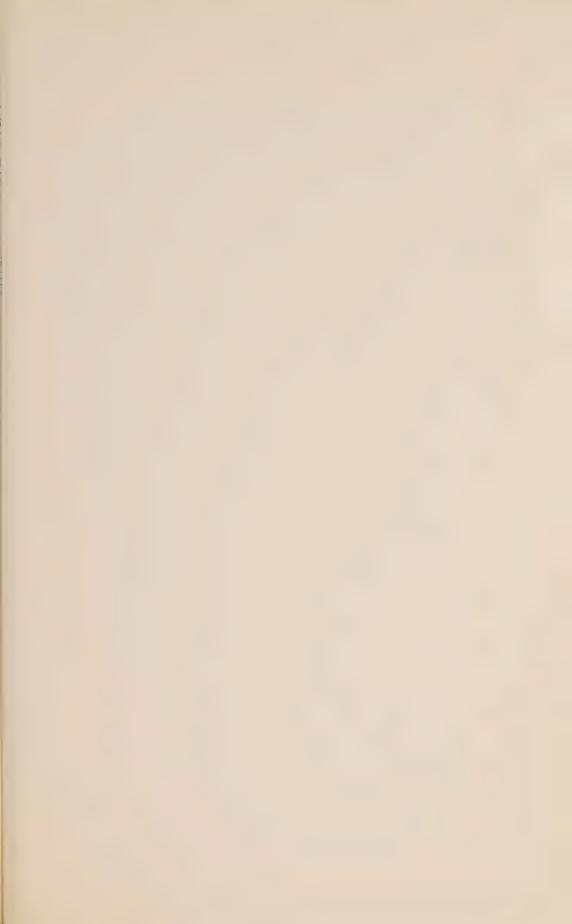
NOVEMBER 1, 1973

TO OCTOBER 26, 1974

Statement of Profit and Loss

for the period November 1, 1973 to October 26, 1974

Revenues	\$	\$ 459.67
Expenses		459,67
Direct Operating Costs		970,380
Gross Operating Loss		F10.70
ONTC Salaries —		510,700
Direct	23,423.03	
Indirect	31,200.00	
UNIC Iravel Expenses	3,788.99	
ONTC Moving Expenses	3,142.76	
Advertising	28,027.54	89,582
Total Loss for Period		600,282





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Annual ryport

75th Annual Report





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.

Prime Minister

Honourable J. W. Snow, Minister

Ministry of Transportation and Communications



75th
ANNUAL REPORT
OF THE
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

For The Year Ended December 31, 1975





MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

The Honourable Pauline M. McGibbon
O.C., B.A., L.L.D., D.U. (Ott)
Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 75th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1975.

Respectfully submitted,

J. W. Snow, Minister.

May 20, 1976



ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable James W. Snow Minister of Transportation and Communications Parliament Buildings Toronto, Ontario

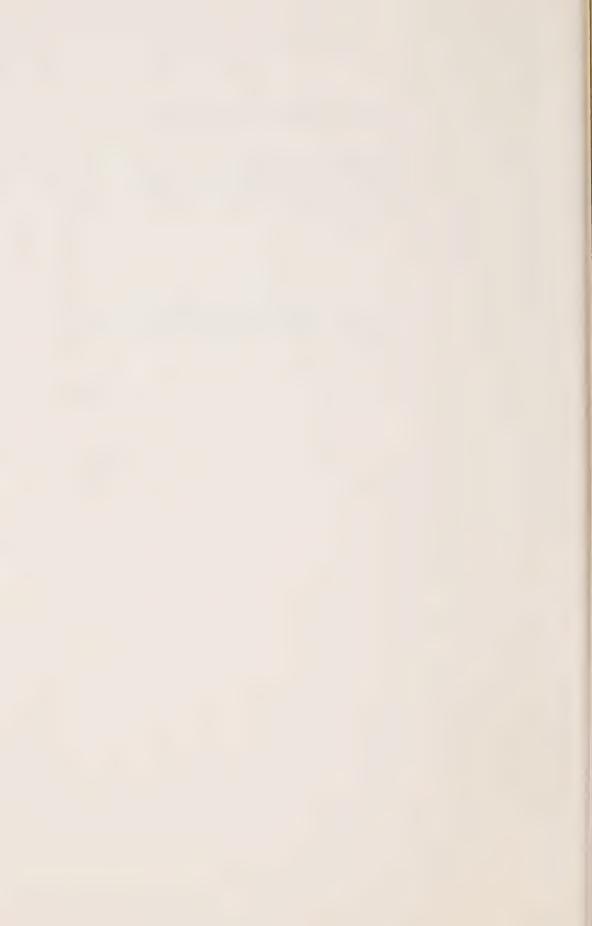
Sir:

I beg to submit the Annual Report for the year 1975 of Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

Roy K. McChesney, Chairman

May 18, 1976



R. K. McChesney, Chairman, Timmins

I. W. Hollingsworth, Commissioner, Sault Ste. Marie

R. Piche, Commissioner, Kapuskasing

G. E. Carr, Commissioner, North Bay

W. J. Mathews, Commissioner, Cobalt

D. W. Milne, Commissioner, North Bay

PRINCIPAL OFFICERS

F. S. Clifford, General Manager

T. G. Farmer, Q.C., Assistant General Manager

M. C. Hicks, Senior Director Marketing Inter-Modal and Passenger Services

D. E. MacDougall, Comptroller and Senior Financial Officer

L. K. Smiley, Senior Director Administrative Services



Mr. Roy K. McChesney, Chairman.

The 75th Annual Report of the Commission's operations is presented in a different format than in previous years so as to portray on a consolidated basis all its activities including the operating subsidiaries Star Tansfer Limited and the Owen Sound Transportation Company Limited; norOntair; and other subsidized services operated by the Commission on behalf of the provincial government.

In many respects, the year 1975 was one of the most disastrous and disheartening that the Commission has faced for a number of years. Devastating inflation, a national economy which experienced minimal growth, restrictive rate structures and a crippling strike in the newsprint industry for the entire last half of the year were factors which contributed to a loss of almost \$1 million from the Commission's operations in general for 1975. Rail Services and Transport Services (Star Transfer Limited) were the two areas most adversely affected by these conditions. Revenues from rail operations were 14 per cent below forecast and 5 per cent below those of 1974. Revenues from Transport Operations were 10 per cent below forecast, and 6 per cent less than 1974.

The outlook for 1976 is somewhat clouded, and does not present an encouraging picture. The results of the first quarter have been disappointing, and to a large extent can be attributed to the strike in the newsprint industry which continued until the end of February.

Drastic measures have been taken to curtail expenses, and in January of this year it was necessary to abolish approximately 100 positions because of the economic situation. This action was unparalleled in the history of the Ontario Northland and, despite its adverse effect on the employees, the contribution made to the Commission by all

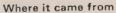
of its personnel cannot go unnoticed. I wish to extend my grateful appreciation for the tremendous effort which was made by all of them during a year which was full of major disappointments. The co-operation which management has received from the Commission is also gratefully acknowledged.

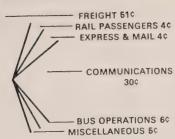
Our aspirations for 1976 are that the Ontario Northland can provide the communities and customers which rely on its services with an efficient, diversified and economical means of transportation and communication, best suited to their individual requirements.

A more detailed review of each segment of the Commission's operations is contained in the following reports.

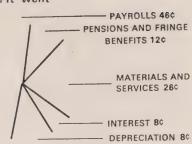
> F. S. Clifford General Manager

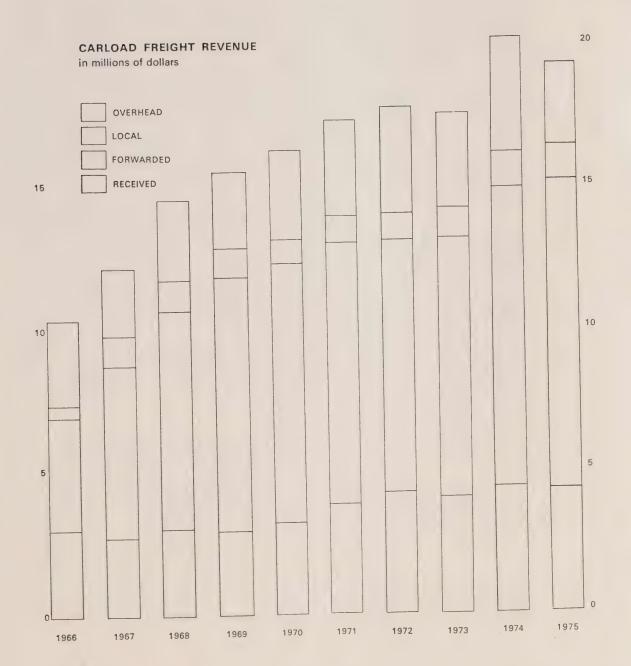






Where it went







Low prices and high inventories in the mining industry; and recession and prolonged strikes in the lumber, pulp and paper industries resulted in tonnage reductions of 20 per cent and 50 per cent respectively. Termination of asbestos production at the Canadian Johns-Manville mine and mill in Reeves Township reduced shipments of that commodity by 65 per cent.

It is obvious that the economic recovery of these major industries is imperative if normal traffic volumes and patterns are to resume. Expansion in the operations of Cochrane Enterprises Limited at Cochrane and Texasgulf at Timmins; the initial operations of United Asbestos Incorporated at Matachewan and the Canadian Johns-Manville talc processing plant at Timmins should lead to increased shipments in 1976.

Several improvements were introduced on the Polar Bear excursion train last year, and should be effective in maintaining this as one of the most popular tourist attractions in the region.

The new car shop complex was completed in 1975, but construction and maintenance programs were minimal because of economic restraints.

A major operational change took effect on July 1, 1975, when rail services were replaced by Ontario Northland Transport Services for handling express from Toronto to terminals in New Liskeard, Kirkland Lake and Timmins. This improved service resulted in a growth in shipments in the latter part of 1975. Although inflation and rising costs required rate adjustments, local rates remain approximately 35 per cent below the national level. The pricing policy is designed to

stimulate primary and secondary industrial growth.

Telecommunication Services continued to be the strong factor in the profit making areas, with a profit in excess of \$3,600,000, which was about 10 per cent over the forecasted plan for last year, and just marginally higher than it was in 1974.

Increased revenues were largely due to a 12 per cent increase in Long Distance calls, and a 16 per cent increase in sales of service in the Private Line area, such as individual voice and teletype circuitry. These made up for the loss of revenue caused by the closing of the Moosonee Canadian Forces Base.

Diverse activities during the year included the completion of construction of a diesel power generating plant at Fort Severn, on the shore of Hudson Bay; the building of 90 miles of high voltage electrical power line from Moosonee to Otter Rapids, where it was connected to the Ontario Hydro provincial power grid; the installation of a new dial exchange in Ontario's oldest community, Moose Factory; microwave extensions and other circuitry expansions. Direct distance dialing commenced in the Timmins area in 1975, and will be extended to the Cochrane and Kapuskasing area by the end of this year or early in 1977.

The Telecommunications branch is extending both power and communication facilities to the Far North on a subsidized basis on behalf of the provincial government.

NorOntair ridership grew to 62,808 passengers in 1975, from 27,401 in 1974. The increase was largely due to the provincial



government's policy to extend norOntair into Northwestern Ontario to serve the communities of Chapleau, Wawa, Thunder Bay, Pickle Lake, Atikokan, Fort Frances, Kenora and Dryden.

NorOntair now provides daily airline service to 16 communities from Kenora in the northwest to North Bay in the southeast. It is worth noting that norOntair completed over 97 per cent of its flights in 1975, which is quite comparable to the standards of mainline air carriers. It is expected that norOntair's good growth will continue in 1976, and it is estimated that upwards of 85,000 persons will use the service.

Despite a flat economy, bus operations rebounded from a somewhat dismal situation in 1974 to a healthy position in 1975, with a profit in excess of \$160,000. Revenues increased by nearly 25 per cent, reflecting a more penetrating surge into the charter and tour segments of this specific service. Scheduled operations remained at a somewhat stagnant level, but it is expected that there will be a modest improvement in these schedule runs towards the end of this year.

Five 39-passenger buses were added to the fleet in 1975.

Tours were operated to Canada's East and West Coasts, Florida, Sumter, South Carolina, and to the ever popular Grande Ole Opry in Nashville, Tennessee.

Moosonee Lodge

A substantial gain in revenues during 1975 demonstrated the continuing interest in this northern terminus. This interest was particularly noticeable during the summer months

when nearly 100 per cent occupancy was achieved.

One of the most attractive additions this year was the outdoor beer garden which provided a pleasant atmosphere for local residents and tourists.

Hannah Bay Camp

A season of fine weather and plentiful numbers of geese provided one of the most successful camps in many years. The camp operated near capacity and reservations already made for next year are evidence of its popularity.

M.S. Chi-Cheemaun

This service is operated by the Owen Sound Transportation Company and administered by the Ontario Northland Transportation Commission. The *Chi-Cheemaun* completed its first full year of operation between Tobermory and South Baymouth in 1975, and recorded a modest operating profit in excess of \$200,000.

During the 1975 sailing season, the *M.S. Chi-Cheemaun* was out of service on three occasions for a total of five days. The tie-ups were caused by serious malfunctions of the main machinery of the new ship, but these problems have since been rectified by the manufacturer.

Figures for 1975 show 224,937 passengers; 6,763 trailers; 60,231 cars; 4,205 trucks, 224 buses; 1,627 motorcycles and 524 bicycles, representing an increase of about 100 per cent over 1974.

Chief Commanda II

An increase of almost 200 per cent in passenger traffic was achieved in the first year of operation of the *Chief Commanda II*. The



Chief I carried 10,133 passengers in her last year of operation, and this season saw 29,203 ride the new twin-hulled vessel, Chief Commanda II.

The sleek white vessel caught the eye of many tourist establishments, travel agents and charter lines. The heated, enclosed passenger areas, licensed lounge with Friday night entertainment, and the new terminal at Dokis Bay Indian Reserve, constructed by the Dokis Indian Band, all combined to attract local residents and tourists.

Corporate Service

Personnel, Planning and Development and Public Relations departments provided their services to all the Commission's operations. Completion of the Chief Commanda II, contract negotiations, continuation of the Visual Identity program and the introduction of the Chi-Cheemaun were highlights of 1975.



onselfcated Dalan.

As at December 31, 1975

ASSETS		1974
		\$
Current Assets		
Cash	111	657,872
Marketable securities at cost (market value		000 100
1975—\$545,125; 1974—\$710,813)	750	832,125
Accounts receivable (note 2)	600	6,218,689
Due from Province of Ontario		1,188,744 2,949,492
Prepaid expenses	1,711	97,351
Trepaid expenses		
	. ");	11,944,273
Deferred Charges and Other Assets—at cost		
Insurance and other funds (approximate		
market value 1975—\$266,621; 1974—\$359,824) (note 1f)	1 70%	400,392
Franchises (note 1c)	450	869,433
Goodwill	W Miles	13,000
Deposit	(1/01):	20,000
Investment in Telesat Canada	000	150,000
Mortgage receivable—due May 1, 1978	1 1 4	1,281
Other	, T	655
	(.)	1,454,761
Investment in Property—at cost (Schedule 1 and note 1d)	0.5	130,136,544
Less: accumulated depreciation	* ^	44,954,880
	4.11	85,181,664
Under construction—power line (note 5)	: 1	1,845,212
—other		10,993,296
	:	98,020,172
Contributory Pension Fund Held in Trust		
(Schedule 2) (approximate market value 1975—\$28,754,000; 1974—\$24,384,000)		28,558,689
1010 \$20,70 1,000, 1014-\$27,004,000		139,977,895
		139,977,895

Approved on behalf of the Commission:

G. E. Carr, Commissioner

F. S. Clifford, General Manager



LITIES	+373	1974
		\$
int Liabilities		
nd loans — Bank—guaranteed by	3.44.0.000	4,110,000
Province of Ontario	*.950.000 * 700.000	35,000,000
— Province of Ontario	120.301	8.463.749
unts payable and accrued charges		
	1.112484	47,573,749
ves and Deferred Credits	0.27.75.0	400.202
ince and other funds reserves	284,703	400,392 75,695
		75,095
	235,708	476,087
Term Liability		
from Province of Ontario, non-interest bearing	30,207,935	30,207,935
		00.550.000
butory Pension Fund Held in Trust (Schedule 2 and note 4)	3 1.256,485	28,558,689
buted surplus	11.178.869	33,161,435
ned income	5,170,013	33,101,433
		33,161,435

139,977,895

inc : on t

¹ Ontario Northland Transportation Commission and to the Minister of Transportation and Communications.

We examined the consolidated balance sheet of the Ontario Northland Transportation Commission and its subsidiaries as at Kinber 31, 1975, and the consolidated statements of income, retained income, contributed surplus and changes in financial sin for the year then ended. My examination included a general review of the accounting procedures and such tests of ching records and other supporting evidence as I considered necessary in the circumstances.

Ply opinion these consolidated financial statements present fairly the financial position of the Commission and its subsidiaries December 31, 1975, and the results of their operations and the changes in their financial position for the year then ended, in stance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

or to. Ontario.



Consolidated Statement of Income

for the year ended December 31, 1975

	1975	1974
	\$	5
Rail Services Revenue Expenditures	21 803.177 21.572.175	24,145,585 24,458,516
Net loss from operations	(0.738.900)	(312,931)
Telecommunications Revenue Expenditures	14.315,797 7.674.451	9,790,211 6,245,954
Net income from operations	1 541,04	3,544,257
Bus Services Revenue Expenditures	. 100,700	1,805,200 1,871,307
Net income (loss) from operations	121	(66,107
Marine Services (North Bay)		
Revenue	211,2 105,0	95,065 144,566
Net loss from operations	*3,70°	(49,501
Marine Services (Owen Sound)		
Revenue	77 FE.	968,811 1,089,057
Net income (loss) from operations	7111152	(120,246
Tourist Facilities—Moosonee and Hannah Bay		
Revenue		194,777 208,245
Expenditures	,	(13,468
Power (Moosonee) and Water (Temagami) Revenue	110 %5 / 100.04	182,178 208,224
Net loss from operations	1-8.55	(26,046



		1974
	3	\$
ervices (norOntair) nue enditures	.2.840 2.432, 20 3	459,680 1,059,963
Net loss from operations	23, 36 3)	(600,283)
sport Services enueenditures	323 ,27 6 7,203 ,0 04	7,490,549 7,078,917
Net income (loss) from operations	(179,728)	411,632
enditures	95,350 92,563	50,364 50,364
Net income from operations	2,787	
note North—Communications enueenditures	5.834 268,467	3,771 248,908
Net loss from operations	262,633)	(245,137)
al revenue from operations	7,816,020 333,801	45,129,548 42,607,378
ome (loss) before other charges	.517,781)	2,522,170
er Charges prest on demand loans	011,693	3,407,112
Contributory Pension Fund (note 3)	1,387	2,351,194
Total other charges	1.580	5,758,306
loss before Government subsidies	7.531,361)	(3,236,136)
/ernment subsidies (Schedule 3)	`.735	4,093,178
income (loss) for the year	371,626)	857,042



Conscillated Statement of Ream. Incom

For the year ended December 31, 1975

	1975	1974
	\$	\$
Balance, beginning of year	1	32,304,393
Add:	4711	857.042
Net income (loss) for the year		037,042
	1.189,800	33,161,435
Deduct:		
Goodwill written off		
Balance, end of year	. 2.176.860	33,161,435



e year ended December 31, 1975.

1975
\$
8,183,712
2,025,200
10,208,912
272,790 703,020
975,810
9,233,102



For the year ended December 31, 1975

	1976	1974
	- 5.	\$
Source of working capital: Net (loss) income for the year	(571.	857,042
—depreciation expense	3.947.0	3,595,831 (22,612)
—other items (net)	(75	21,927
Working capital provided from operations	2.01.	4,452,188
Proceeds on disposal of property	712	353,752
	.007	4,805,990
Use of working capital:		
Additions to investment in property	11,70	16,234,207
Decrease in working capital	(8,155.	(11,428,217)
Deficiency, beginning of year	*,·	(24,201,259)
Deficiency, end of year	1,100.	(35,629,476)
CHANGES IN WORKING CAPITAL		
Current assets—increase (decrease)		(100.041)
Cash	* : · .	(139,041)
Marketable securities	(1	110,246
Accounts receivable Due from Province of Ontario		1,080,425
Materials and supplies		562,569
Prepaid expenses		43,654
		1,657,853
Current liabilities—decrease (increase)		
Bank indebtedness		2,679
Demand loans—Bank		(470,000)
Demand loans—Province of Ontario		(11,000,000)
Accounts payable and accrued charges	, ,	(1,688,809)
Dividends payable		70,060
		(13,086,070)
Decrease in working capital		(11,428,217)



at December 31, 1975

	\$ J	1974
	\$	\$
il—Roadway	٦. 25.	69,254,181
—Buildings	7 ,39,177	7,065,475
—Equipment	27,177,57	25,665,794
ecommunications	an,310,50	20,841,215
ses	1.341,	1,349,650
at	89,	271,157
tels	206.	333,222
wer and water services	33	342,210
Ontair aircraft	1.078	_
mote North power and communications	23::	_
r Transfer Limited—vehicles	20100 =	2,972,721
other	1,110.1	1,061,002
Owen Sound Transportation Company, Limited		
—vessel	3,1337	929,243
—other	53 37	50,674
oss investment in property	327	130,136,544
is: accumulated depreciation	` 22;	44,954,880
t investment in property	1 - 1 - 1 - 1 - 1 - 1	85,181,664
der construction—power line (note 5)	5 . 5.	1,845,212
—other	1210. 1	10,993,296
	1031	98,020,172
	West Assets	

accompanying schedules and notes to financial statements.



Ontario Northland Transportation Commission Contributory Pension Fund Held in Trust Sourceme of Transportations and Alama

For the year ended December 31, 1975

	t t	1974
Contributions received:		\$
—from the Commission and staff	. 1	0.505.530
—from the Commission toward unfunded		2,565,578
liability (note 4)	, ,	0.054.404
	2.7.	2,351,194
	4 (4,916,772
Investment income—term deposits	. *	24,300
—bonds	1.11	1,674,251
—stocks	*	139,288
	1,10	6,754,611
Deduct:		
Pensions paid	,	0 101 001
Contributions refunded to staff	6	2,181,261
Discounts, less premiums, on disposals		189,836
of investments		108,628
		2,479,725
Increase in the fund for the year		4,274,886
Fund balance, beginning of year		24,283,803
Fund balance, end of year		28,558,689
Consisting of:		
Assets		
Cash		161,317
Accounts receivable		273,007
Short term deposit Bonds, at cost (market value \$23,843,113;	¥F	750,000
1974—\$20,217,461)		23,651,058
1974—\$2,982,135)		3,723,307
		28,558,689
		20,000,000
Less: liability		
Account payable		_
Net assets		28,558,689
		20,000,000



irio Northland Transportation Commission

neuro of Government Sub //

the year ended December 31, 1975

		1974
∍ived from Province of Ontario: nrane—Moosonee branch line		\$
a: 1974		1,427,276
3: 1975 estimated	! ! !	
	į ·	1,427,276
line passenger train		
ə: 1974	PA ****	1,480,742
2: 1975 estimated	2,0	
	s.07%	1,480,742
ervices (norOntair)	1, 21	600,283
ne services (Owen Sound)		121,018
ote North communications		221,098
Total Provincial subsidies		
Telescope and a decided a second and a second a second and a second an	1.275	3,850,417
ived from Government of Canada:		
passenger		190,420
freight		52,341
Total Federal subsidies	^	242,761
Government subsidies		4,093,178



December 31, 1975

1. Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries. Star Transfer Limited and The Owen Sound Transportation Company, Limited.

Control of The With more

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value

(c) Franchises

Franchises consist of the following:

	1975	1974
·	\$	\$
Bus and truck franchises	. 400,439	400.439
Excess of cost of investment in subsidiaries		
over the book value of the underlying net		
assets at dates of acquisition	468.994	468.994
fa fa	869.433	869.433

In the opinion of management there is no indication of a decline in value of the above items and accordingly they are not being

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of the Commission's office furniture and equipment, which is charged to operations in the year of purchase. With the exception of highway equipment, depreciation is primarily provided on a straight-line basis based upon the estimated service lives of depreciable property. Highway equipment is depreciated on the diminishing balance basis based upon the estimated service life of the equipment. Except for uncompleted projects, for which no depreciation is provided, depreciation generally is based on asset balances at the beginning of the year. For railway and telecommunication properties, the rates used are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Hoad—main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively, during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. Depreciation thereon is recorded as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission and its wholly-owned subsidiary, Star Transfer Limited, follow the policy of self-insuring for damage from train derailments and motor vehicle collisions respectively.

2. Accounts Receivable

Accounts receivable include subsidies receivable from the Province of Ontario amounting to \$2,220,918 (1974: \$1,116,921)

3. Contributory Pension Fund

As at December 31, 1975, based on the latest actuarial reviews, less payments, the remaining unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$27,532.003. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$8.088.896 represents the outstanding amount of unfunded liabilities created subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal under The Pension Benefits Act. These payments have the effect of:

- -preventing an increase in the initial unfunded liability:
- -liquidating the balance of the unfunded liabilities over a period ending substantially December 31, 1989

4. Comparative Figures

The 1974 comparative figures for The Owen Sound Transportation Company. Limited used in the preparation of these consolidated financial statements are based upon financial statements which were reported on by other auditors.



Subsequent Event

bsequent to December 31, 1975 the Commission obtained the approval of the Lieutenant Governor in Council for the transfer of power line to Ontario Hydro. The Commission will be reimbursed by the Ontario Ministry of Natural Resources for all costs burred by the Commission in the construction of the power line, subject to the approval of the Province of Ontario 1976-77 penditure Estimates by the Legislative Assembly.

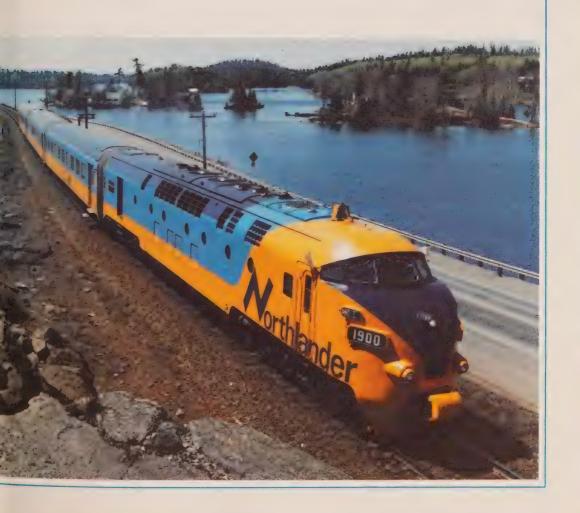
Anti-inflation Legislation
e Commission and its wholly-owned subsidiaries are subject to controls on prices, profits and compensation instituted by the deral Government in the Anti-Inflation Act effective October 14, 1975.



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PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Prime Minister

Honourable J. W. Snow, Minister
Ministry of Transportation and Communications

76th
ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION
for the year ended
December 31, 1976



MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

The Honourable Pauline M. McGibbon O.C., B.A., L.L.D., D.U. (Ott)
Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 75th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1976.

Respectfully submitted,

J. W. Snow, Minister.

JUNE 3, 1977

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable James W. Snow Minister of Transportation and Communications Parliament Buildings Toronto, Ontario

Sir:

I beg to submit the Annual Report for the year 1976 of Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

Roy K. McChesney, Chairman.

JUNE 1, 1977

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- R. K. McChesney, Chairman, Timmins
- I. W. Hollingsworth, Commissioner, Sault Ste. Marie
- R. Piche, Commissioner, Kapuskasing
- G. E. Carr, Commissioner, North Bay
- W. J. Mathews, Commissioner, Cobalt
- D. W. Milne, Commissioner, North Bay

PRINCIPAL OFFICERS

- F. S. Clifford, General Manager
- T. G. Farmer, Q.C., Assistant General Manager
- M. C. Hicks, Senior Director Marketing Intermodal and Passenger Services
- D. E. MacDougall, Comptroller and Senior Financial Officer
- L. K. Smiley, Senior Director Administrative Services
- R. O. Beatty, Senior Operating Officer-Rail

EPORT OF THE GENERAL MANAGER

North Bay, Ontario May 30, 1977

Roy K. McChesney

isolidated net income of the Commission's operations for 1976 is shown as follows:

	1976	1975	(Decrease)
T	\$ (343,744)	\$(3,738,998)	\$ 3,395,254
ecommunications	4,050,233	3,641,346	408,887
note North Power and Communications	(286,061)	(259,846)	(26,215)
	54,586	162,643	(108,057)
e Nipissing Marine	(84,130)	(213,794)	129,664
el and Camp	(14,546)	(16,782)	2,236
fro and Water	36,691	(99,691)	136,382
Ontair	(1,284,889)	(1,029,363)	(255,526)
en Sound Marine	118,702	216,432	(97,730)
nsport (Star Transfer)	277,410	(179,728)	457,138
:Income Before Interest on Debt and			
Infunded Liabilities of Pension Fund	\$ 2,524,252	\$(1,517,781)	\$ 4,042,033
Interest on Debt and Pension Fund	\$ 8,371,239	\$ 6,016,580	\$(2,354,659)
ficit Before Government Subsidies	\$(5,846,987)	\$(7,534,361)	\$ 1,687,374
vernment Subsidies	\$ 8,413,605	\$ 6,562,735	\$ 1,850,870
t Income (Loss) for the Year	\$ 2,566,618	\$ (971,626)	\$ 3,538,244

neral

eview of the above statistics indicates an overall provement in the net financial position for 1976 compared to the previous year. Most of the ecific services reflected a better net than in 1975 ille the ones that were not as effective were hit by normal conditions and situations that affected eir operations. Nevertheless the overall income operations prior to other charges and government subsidies was some \$4,000,000 better an in 1975 and highlights of these operations are tlined later in this report.

Other charges affecting the Commission's operons increased by approximately \$2,300,000. The triennial actuarial study of the Pension Fund dicated a further short-fall in the liquidity of the nd, and this together with the initial funding of ar Transfer Ltd. Pension Fund added an additional \$1,600,000 burden that the Commission has carry. Interest on demand loans throughout the lar, caused primarily by higher interest rates oththan in the last quarter, contributed the remaing \$700,000 to the increase in other charges.

Government subsidies increased by \$1,900,000 1976 as compared to the previous year. These ere subsidies from the Federal Government on eight rate settlements for years prior to 1976 and an adjustment in passenger rail subsidy for

1975. These are one-time payments only and will not be reflected in reports of subsequent years.

Capital expenditures amounted to \$7,800,000, a record low over the past number of years and was due to the most unfavorable financial position of the Commission.

A more detailed review of each segment of the Commission's operations is contained in the following reports.

RAIL SERVICES

A major and significant accomplishment in rail operations was the fact that there was not one major derailment during the year, the first such year that this has been the case since 1962. The last major derailment occurred in February, 1975, and subsequent operations certainly indicate the excellent condition of the railway right-of-way and the importance the railway places on safety standards.

A decision to acquire four trainsets of the original Trans Europe Express trains was made in 1976, and these will present the major challenge to the Mechanical Department in 1977.

The ninth and last unit of retired ONTC diesel locomotives was converted to an auxiliary power car control unit for GO Transit of Ontario.

A program to rebuild the motive power fleet was instituted late in the year, and will run for an estimated three years. This will result in the conversion of the older portion of the fleet to an almost new condition.

Due to capital monetary restraints, no major rail or ballasting programs were undertaken.

Tonnage of 5,458,000 net tons in 1976 represented a 9.9 per cent increase over the preceding year; however it cannot be considered to be of much significance due to a five month newsprint industry strike in 1975. Total carload revenues amounted to \$23,360,648, well short of earlier forecasts.

The continuance of the 1975 newsprint industry strike into February of 1976 and a somewhat less than projected economic upturn were the major factors for the reduced revenue position.

The past year saw the first unit train of treelength logs from Fraserdale to Cochrane; however due to economic and market conditions, volumes handled fell approximately 40 per cent short of those projected.

United Asbestos Corporation at Matachewan incurred many and various problems, which affected the level of asbestos production, and environmental conditions forced closure of the processing plant for various periods. This resulted in a shortfall of approximately 77 per cent in projected tonnages. The mine and plant have subsequently closed indefinitely due to financial problems.

Canadian Johns-Manville Talc processing plant at Timmins, Ontario, ceased operations permanently, citing economic and competitive conditions as their reasons. The owners are reportedly exploring disposition.

The newsprint industry resumed work in February, 1976, after a seven-month strike, but numerous reductions and partial layoffs were evident after resumption of work, which resulted in lower than normal production through 1976 in a soft demand market.

The depressed copper prices during 1976 resulted in a considerable decline in both received Bunker C Fuel Oil and forwarded Copper Anodes at Noranda

As a direct spinoff of the newsprint strike and the soft demand market, pulpwood chip tonnages fell

24,000 tons below original projections.

Construction has commenced on Texasgulf new copper smelter and refinery, and it is articipated that this expansion will generate in creased activity until late 1979.

EXPRESS SERVICES

A joint Transport and Express Services Termina was opened in North Bay in December, 1976 which will reduce operating costs and provide combined service to customers in this area.

A direct connection by highway with the Canad an Pacific Express at North Bay was instituted improving service on shipments originating wit Canadian Pacific.

All Canadian National Express continued to be handled via highway by Ontario Northland Transport Services from Toronto to northern terminals and thus providing overnight service to those northern communities.

In spite of some rate increases, local rates ar still 15 per cent below those charged nationally Revenues increased 7 per cent over the previou year.

TRANSPORT SERVICES

The first quarter of the year evidenced a dow swing in freight hauled, but a recovery in mid year returned operations to the level experienced i 1974. This trend was general in the industry. Emphasis on cost reduction and an updated flee contributed to this result.

TELECOMMUNICATION SERVICES

The operating profit of over \$4 million was almost 11 per cent higher than in 1975, and was larged due to the increased use of long distance which drew 16 per cent more revenue in 1976.

Much of the activity during the past year was focused on technical updating and expansion of the services. Work was well under way to brin Direct Distance Dialing to Cochrane and communities to the north and west of this centre ear in 1977. A new microwave system north of Tin mins, to be used in conjunction with the Direct Distance Dialing in this area, neared completion Replacement of the main heavy route microwave system from North Bay to Timmins was begun order to be ready for the expected increase it traffic during the summer of 1977.

The provincial government is funding new lor distance facilities from Moosonee north to communities on James Bay's west coast, and the preparation of five microwave sites and most of the tower construction on them is expected to be dorduring the 1976-77 winter season.

AIR SERVICE

Despite another off year in the airline industr norOntair continued to forge ahead, as traft grew 31 per cent to 82,070 passengers in 1976. the same time, improvement in the reliability of the service continued for, despite the vagaries of the climate, labour strife and the state of navigation aids in the region, better than 97 per cent of sch ed flights were completed. Late in the year two ders were issued for contracts to operate the nt line. For the northeast contract portion of the tem, the successful bidder was Air-Dale Limitof Sault Ste. Marie. It was necessary to retender northwest contract because the bids received the considered far in excess of an acceptable at and the successful bidder as a result of this ender was On-Air Limited.

SSERVICES

sengers carried in 1976 were slightly less than number carried in 1975. Revenue from this ment of the operation showed an increase of 6

ours continued to be a very lucrative part of operations. Some 12,000 fewer miles were erated than the previous year, yet revenues in-ased by 15 per cent because of increased numof passengers.

The Charter sector increased by about 12,000 es over 1975, resulting in a 12 per cent increase evenue.

The total number of miles operated in 1976 was 72,133, only 2,811 miles more than in 1975.

Revenue from BPX suffered a drop of 7 per cent 1976, largely accounted for by the increased of this service during the postal strike in 1975.

URIST SERVICES

osonee Lodge

lecline in tourist and general traffic in the Moonee area resulted in the decrease in the occuncy ratio at the Lodge. There was, however, a nificant increase in the number of canoeists tering this area, and it is expected that the numof this type of tourist will continue to increase e growth in revenues in 1976 was mainly in the a of sundries and beverages, with lodging and tal revenue remaining fairly constant.

nnah Bay Camp

e 1976 season again provided many hunters than exciting and challening five-day experice

General Revenues for Hannah Bay were down memory the previous year due to a slight decrease in number of hunters attending the camp. This cline was evidenced at other camps in the area. spite this drop in revenues, expenses were held a minimum, resulting in another successful year this operation.

ARINE SERVICES

le second operating season of the *Chinemaun* was a mixed affair. Throughout the ring and summer, traffic was good despite bewpar weather and a generally poor tourist year. Ien, late in August, the ship suffered serious image resulting from a landing mishap at Toberbry. Repairs shut down operations for five days in this fact plus very poor fall weather resulted in sharp decline in late season boardings. The anial result was, thus, a disappointingly small 3 per entgrowth to 75,392 total vehicles carried.

On Lake Nipissing, the Chief Commanda II had a quite satisfactory season in the face of otherwise declining tourist demand. A total of 31,346 people were carried during the season. The new Chief is clearly growing in local popularity and has become, more than ever, the keystone of the district's recreational package.

CORPORATE SERVICES

Planning and Development

Plans for the construction of a new Transport Services Terminal in Toronto have been approved, and it is hoped that construction will be completed by December, 1977.

The introduction of a ferry service between Moosonee and Moose Factory has been planned, and this service is expected to be ready by June, 1977.

To ensure the continuing popularity of the Commission's tourist-oriented services, public surveys were carried out on the Polar Bear Express, Chi-Cheemaun and Chief Commanda II.

Of considerable significance was the integration of the data processing operations into this department. Computer services will be provided to all branches of the Commission.

Personnel and Labour Relations

Collective agreements covering the majority of Ontario Northland's unionized employees was renewed for the years 1976 and 1977 as a result of settlement achieved early in the year following negotiations which were conducted on a national basis in concert with other Canadian railways. The federal government's anti-inflation guidelines were a major factor in the settlement.

Numerous discussions took place between representatives of individual unions and supervisory personnel at all levels during the course of the year. In addition, following a practice established many years ago, larger meetings were held on a regular basis, attended by senior management personnel and employee representatives of all unions. This continues to provide a useful forum for discussing matters of mutual and general interest.

A formal policy on Safety and Accident Prevention was introduced during the year. It provides for the creation of an Accident Review Committee comprised of senior officers who will meet monthly to study all phases of accident control and take necessary corrective action. Responsibility for coordinating the handling, transporting, storage and use of dangerous commodities on the property was assigned to the Safety Department in 1976, and a member of this staff has been trained to function as a dangerous commodity specialist.

Public Relations

The need to increase revenue and fulfil underused capacity factors, together with the critical requirement to broaden the economic base in Northern Ontario, contributed to the Commission's decision, late in the year, to play a more aggressive role in the further development of the tourism industry.

The Public Relations Department will be expanded to enable a much deeper involvement in this field.

Outlook

It is extremely difficult to predict the state of the economy for the forthcoming year, but to say the least, it is far from encouraging. It is estimated that the Commission's operations will be no better than a break-even proposition in 1977, and it will be hard pressed to achieve that goal. The growth factor in the area served by the Commission is considered to be negligible.

A major feature for 1977 will be the introduction of the Northlander, scheduled to take place on June 9. This European equipment, which consists of four train sets, each having a capacity of 114 passengers and dining car facilities seating 32 passengers, has been completely refurbished and mechanically updated. Two sets will inaugurate

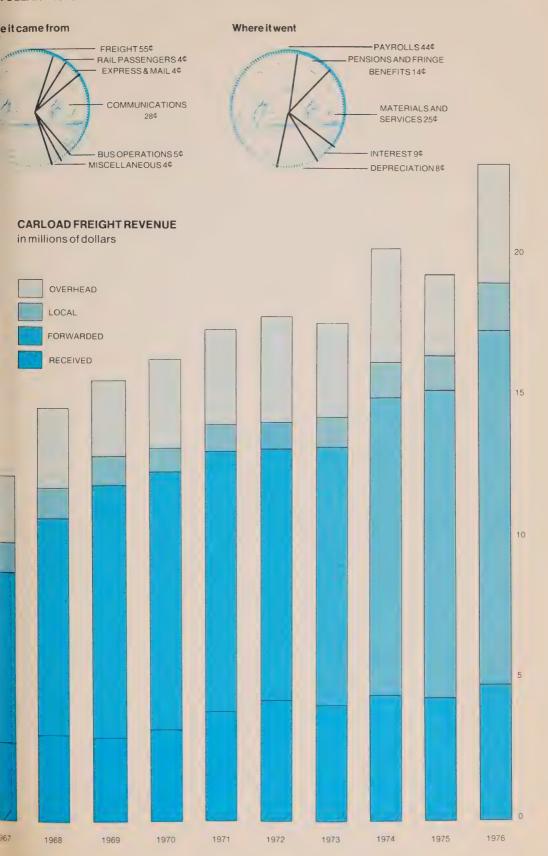
the service on June 9, while the other two sets scheduled for delivery by the end of September

The Commission will be concentrating on development of the tourist business in the territ it serves, and will establish a Tourism office a Tourist Bureau in early summer to promote activity. This is one of the few areas where Commission feels there is a growth market wor of Commission participation and development.

The success of any organization can only attributed to its employees who have, under manding and difficult conditions, contributed to overall operation of its activities. It is to these ple that I express my sincere appreciation for co-operation and dedication during the past year

Yours very truly
F. S. Clifford,
General Manager

OLLAR-1976



Consolidated Balance Sheet

as at December 31, 1976

Assets	1976	1975
	\$	\$
Current Assets		
Cash	1,127,008	855,51
Marketable securities at cost (market value		004 7
1976 — \$437,687; 1975 — \$546,125)	485,750	681,78
Accounts receivable (note 2)	8,446,958	8,319,69
Materials and supplies (note 1b)	3,141,830	3,344,90
Prepaid expenes	90,267	101,7
	13,291,813	13,303,5
Deferred Charges and Other Assets — at cost		
Insurance and other funds (approximate	075.000	005.7
market value 1976 — \$266,794; 1975 — \$266,621) (note 1f)	275,933	285,70
Franchises (note 1c)	954,433	869,43
Deposit	20,000	20,00
Investment in Telesat Canada	150,000	150,00
Mortgage receivable — due May 1, 1978	1,204	1,2
Other	626	6
	1,402,196	1,327,0
Investment in Property — at cost (schedule 1 and note 1d)	158,256,654	149,388,0
Less: accumulated depreciation	49,774,237	46,623,4
	108,482,417	102,764,5
Under construction — power line		5,383,6
- other	2,630,429	6,213,6
	111,112,846	114,361,8
Contributory Pension Fund Held in Trust		
(schedule 2) (approximate market value	00 004 003	00.050.4
1976 — \$38,494,000; 1975 — \$28,754,000)	39,004,023	32,256,4
	164,810,878	161,248,9

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

G. E. Carr, Commissioner

F. S. Clifford, General Manager

bilities	1976	1975
	\$	\$
rent Liabilities		
nand loans — Bank — guaranteed by Province of Ontario	1,133,000	13,900,000
- Province of Ontario	42,500,000	35,000,000
ounts payable and accrued charges	8,547,740	8,188,884
	52,180,740	57,088,884
erves		
urance and other funds	275,933	285,708
ng Term Liability		
n from Province of Ontario, non-interest bearing	30,207,935	30,207,935
ntributory Pension Fund Held in Trust		
nedule 2 and note 3)	39,004,023	32,256,485
ntributed surplus	8,757,776	9.233.102
ained income	34,384,471	32,176,809
	43,142,247	41,409,911

164,810,878 161,248,923

IDITOR'S REPORT

he Ontario Northland Transportation Commission and to the Minister of Transportation and Communications.

have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 6, and the consolidated statements of income, retained income, contributed surplus and changes in financial position for year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly uded such tests and other procedures as I considered necessary in the circumstances.

1 my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with rerally accepted accounting principles applied on a basis consistent with that of the preceding year.

Consolidated Statement of Income

for the year ended December 31, 1976

	1976	1975
	\$	\$
Rail Services	27,652,020	22,833
Revenue Expenditures	27,995,764	26,572
Net loss from operations	(343,744)	(3,738
Telecommunications		
Revenue	12,824,968	11,315
Expenditures	8,774,735	7,674
Net income from operations	4,050,233	3,641
Bus Services		
Revenue	2,498,492	2,369
Expenditures	2,443,906	2,206
Net income from operations	54,586	162
Marine Services (North Bay)		051
Revenue	273,426	251 465
Expenditures	357,556	
Net loss from operations	(84,130)	(213
Marine Services (Owen Sound)	0.474.500	2.04
Revenue	2,171,509 2,052,807	2,049 1,839
Expenditures	2,052,007	
Net income from operations	118,702	210
Tourist Facilities—Moosonee and Hannah Bay		200
Revenue	278,269	26 27
Expenditures	292,815	
Net loss from operations	(14,546)	(1)
Power (Moosonee) and Water (Temagami)		200
Revenue	2,837	20: 30:
Expenditures	(33,854)	
Net income (loss) from operations	36,691	(9:
Air Services (norOntair)	5 500 007	1.40
Revenue	2,022,227	1,40 2,43
Expenditures	3,307,116	
Net loss from operations	(1,284,889)	(1,02

	1976	1975
	\$	\$
nsport Services	7.040.004	7.000.070
enditures	7,642,884 7,365,474	7,023,276 7,203,004
Net income (loss) from operations	277,410	(179,728)
note North — Power		
enue	113,895	95,350
enditures	125,494	92,563
Net (loss) income from operations.	(11,599)	2,787
note North — Communications		
renue	6,586	5,834
enditures	281,048	268,467
Net loss from operations	(274,462)	(262,633)
al revenue from operations	55,487,113	47,813,088
al expenditures for operations	52,962,861	49,330,869
ome (loss) before other charges	2,524,252	(1,517,781)
er Charges		
rest on demand loans ments toward the unfunded liabilities	4,338,991	3,611,693
f Contributory Pension Fund (note 3) alfunding of Contributory Pension	3,436,409	2,404,887
und re Star Transfer Limited employees	595,839	_
Total other charges	8,371,239	6,016,580
loss before Government subsidies	(5,846,987)	(7,534,361)
vernment subsidies (schedule 3)	8,413,605	6,562,735
income (loss) for the year	2,566,618	(971,626)

Consolidated Statement of Retained Income

for the year ended December 31, 1976

	1976	1975
	\$	\$
Balance, beginning of year	32,176,809	33,161,
Add: Net income (loss) for the year	2,566,618	(971,
	34,743,427	32,189,
Deduct: The Owen Sound Transportation Company, Limited:		
Rebate to Province of Ontario of 1975 and 1976 profits	358,956 —	- 13,
Balance, end of year	34,384,471	32,176,

nsolidated Statement of Contributed Surplus

ie year ended December 31, 1976

	1976	1975
nce, beginning of year	5 9,233,102	\$_
s incurred by Ontario Ministry of Transportation and Communications		
quisition of the vessel M.S. Chi-Cheemaun, title to which was trans- red during 1975 to The Owen Sound Transportation Company, Limited		
pte 1d)quisition of three norOntair aircraft, title to which was transferred to the	-	8,183,712
mmission during 1975 (note 1d)	_	2,025,200
	9,233,102	10,208,912
eciation thereon:		
sel M.S. Chi-Cheemaun	272,790	272,790
Ontair aircraft	202,536	703,020
	475,326	975,810
nce, end of year	8,757,776	9,233,102

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1976

	1976	1975
	S	\$
Source of working capital: Net income (loss) for the year	2,566,618	(971
Items not requiring an outlay of working capital —depreciation expense —other items (net)	4,207,195 —	3,942 (75
Working capital provided from operations	6,773,813	2,89
Proceeds on disposal of property	477,257	712
Proceeds on disposal of power line	6,050,840 —	
Reduction of mortgage receivable principal	13,301,910	3,60
Use of working capital: Addition to franchises	85,000 7,961,569	11,76
Rebate to Province of Ontario	358,956	
Tobalc 16 T Feeting of Comments	8,405,525	11,76
Increase (decrease) in working capital	4,896,385	(8,15
Deficiency, beginning of year	(43,785,312)	(35,62
Deficiency, end of year	(38,888,927)	(43,78
Changes in Working Capital		
Current assets — increase (decrease) Cash	271,490	19
Marketable securities	(196,000)	(15
Accounts receivable	127,268	9.
Materials and supplies	(203,073)	39
Prepaid expenses	(11,444)	
	(11,759)	1,3
Current liabilities — decrease (increase)		
Demand loans - Bank	12,767,000	(9,79
Demand loans — Province of Ontario	(7,500,000) (358,856)	2
	4,908,144	(9,5
Increase (decrease) in working capital	4,896,385	(8,1
· · · · · · · · · · · · · · · · · · ·		

redule of Investment in Property

December 31, 1976

Schedule 1

	1976	1975
	5	5
- Roadway	71,479,308	70,325,475
- Buildings	11,468,816	7,939,177
- Equipment	25,831,872	25,177,904
ommunications	27,964,501	26,912,092
S	1,645,645	1,541,092
	665,387	89,000
s	336,186	336,186
r services	30,806	30,806
ntair aircraft	4,078,338	4,078,338
ote North power and communications	292,991	289,991
Fransfer Limited — vehicles	3,610,134	3,310,375
- other	2,471,510	1,110,175
Owen Sound Transportation Company, Limited		
- vessel	8,269,820	8,183,712
- other	111,340	63,679
s investment in property	158,256,654	149,388,002
accumulated depreciation	49,774,237	46,623,449
vestment in property	108,482,417	102,764,553
r construction — power line	_	5,383,693
- other	2,630,429	6,213,620
	111,112,846	114,361,866

Ontario Northland Transportation Commission Contributory Pension Fund Held in Trust Schedule of Transactions and Fund Balance for the year ended December 31, 1976

Schedu

	1976	197
	\$	\$
Contributions received: —from the Commission, wholly-owned subsidiaries and staff —from the Commission toward unfunded	2,872,491	2,436
liability (note 3)	3,436,409	2,404
initial funding for its employees	595,839	
	6,904,739	4,841
Cash proceeds from The Excelsior Life Insurance Company	200 000	
re Star Transfer Limited	202,868	
Investment income — term deposits	115,192	57
- bonds	2,587,989	1,865 199
- stocks	212,367	
	10,023,155	6,963
Deduct:	0.740.000	0.440
Pensions paid	2,743,030	2,442
Contributions refunded to staff	148,238	147
Discounts, less premiums, on disposals on investments	384,349	675
	3,275,617	3,265
Increase in the fund for the year	6,747,538	3,697
Fund balance, beginning of year	32,256,485	28,558
Fund balance, end of year	39,004,023	32,25
Consisting of:		
Assets Cash	37,147	22
Accounts receivable	524.387	245
Short term deposits	4.000,000	650
Bonds, at cost (market value	.,,	
\$27,951,957; 1975 — \$23,843,113)	28,253,059	26,90
Stocks, at cost (market value	0.400.054	4 501
\$6,213,287; 1975 — \$4,091,761)	6,422,354	4,52
	39,236,947	32,35
Less: liabilities Accounts payable	232,924	9
Net assets	39,004,023	32,25

edule of Government Subsidies

year ended December 31, 1976

Schedule 3

	1976	1975
	\$	\$
ived from Province of Ontario:		
rane — Moosonee branch line		
1974	_	296,751
1975		2,451,000
1976	2,070,000	_
	2,070,000	2,747,751
line passenger train		
1974	_	60,924
1975	_	2,017,000
1976	2,214,996	-
	2,214,996	2,077,924
ote North communications	283,274	286,672
rvices (nor Ontair)	1,489,717	1,120,112
otal Provincial subsidies	6,057,987	6,232,459
ved from Government of Canada:		
passenger	744,217	238,236
reight	1,611,401	92,040
otal Federal subsidies	2,355,618	330,276
Government subsidies	8,413,605	6,562,735

Notes to Consolidated Financial Statements

December 31, 1976

1. Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value

(c) Franchises

Franchises consist of the following:

Franchises consist of the following:	1976	
	\$	
Bus and truck franchises	485,439	400
Excess of cost of investment in subsidiaries		
over the book value of the underlying net	469.004	169
assets at dates of acquisition	468,994	400
	954,433	869

In the opinion of management there is no indication of a decline in value of the above items and accordingly they arbeing amortized.

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of the Commission's office furniture and equipment, vision charged to operations in the year of purchase. With the exception of highway equipment, depreciation is pring provided on a straight-line basis based upon the estimated service lives of depreciable property. Highway equipmed depreciated on the diminishing balance basis based upon the estimated service life of the equipment. Except for completed projects, for which no depreciation is provided, depreciation generally is based on asset balances beginning of the year. For railway and telecommunication properties, the rates used are as authorized by the Can Transport Commission. The estimated service lives used for principal categories of assets are as follows:

Road — main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years

Three aircraft and the vesel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transport and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limite spectively, during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred to Ministry together with offsetting credits to Contributed Surplus. Depreciation thereon is recorded as a reduction to tributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exemp income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission and its wholly-owned subsidiary, Star Transfer Limited, follow the policy of self-insuring for da from train derailments and motor vehicle collisions respectively.

2. Accounts Receivable

Accounts receivable include subsidies receivable from the Province of Ontario amounting to \$814,810 (1975: \$2,220,918)

3. Contributory Pension Fund

As at December 31, 1976, based on the latest actuarial reviews, less payments, the remaining unfunded liability of the Colsion and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$39,231,310. Of this are \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$19,788,203 represents the outsing amount of unfunded liabilities created subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal under The Pension Benefits Act. payments have the effect of:

-preventing an increase in the initial unfunded liability;

--liquidating the balance of the unfunded liabilities over a period ending substantially December 31, 1990.

4. Anti-Inflation Legislation

The Commission and its wholly-owned subsidiaries are subject to controls of prices, profits and compensation instituted Federal Government in the Anti-Inflation Act effective October 14, 1975.

ase Commitment

er the terms of an agreement dated October 1, 1976, the Commission is committed to lease four Trans Europ Express-1 el-electric trainsets (TEE trains) and major exchange spare components from the Urban Transportation Development oration Ltd. (UTDC). The agreement provides for a net, net lease between the Commission and UTDC for a term of sixtymonths commencing from the date of delivery of the first TEE train. Subject to the finalization of the lease, rent will be ble by the Commission, in advance, in ten semi-annual payments of \$500,000 each.

irst TEE train was delivered in April 1977.







Annual Report 1977





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Prime Minister

Honourable Leo Bernier, Minister Ministry of Northern Affairs



77th ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION for the year ended December 31, 1977



MINISTRY OF NORTHERN AFFAIRS

The Honourable Pauline M. McGibbon,
O.C., B.A., L.L.D., D.U. (Ott),
Lieutenant-Governor of the Province of Ontario.

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 77th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1977.

Respectfully submitted,

Leo Bernier, Minister.

May 31, 1978

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1977 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

Roy K. McChesney, Chairman.

May 25, 1978

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Roy K. McChesney, Chairman, Timmins

I. W. Hollingsworth, Commissioner, Sault Ste. Marie

R. Piche, Commissioner, Kapuskasing

G. E. Carr, Commissioner, North Bay

W. J. Mathews, Commissioner, Cobalt

D. W. Milne, Commissioner, North Bay

P. A. Burns, Commissioner, Dryden (Appointment effective April 1, 1978)

PRINCIPAL OFFICERS

F. S. Clifford, General Manager

R. O. Beatty, Senior Operating Officer - Rail

M. C. Hicks, Senior Director Marketing Intermodal and Passenger Services

D. E. MacDougall, Comptroller and Senior Financial Officer

L. K. Smiley, Senior Director Administrative Services

PORT OF THE GENERAL MANAGER

North Bay, Ontario May 19, 1978

Roy K. McChesney irman

solidated net income and capital expenditure of the Commission's operations for 1977 are shown as ws:

solidated Net Income

1977	1976	Increase or (Decrease)
\$	\$	\$
5,898,135	6,296,870	(398,735)
4,639,908	4,050,233	589,675
74,005	54,586	19,419
(109,017)	(84,130)	(24,887)
(43,838)	(14,546)	(29,292)
(4,694)	36,691	(41,385)
(218,191)	277,410	(495,601)
		_
-	(221,267)	221,267
_	(2,787)	2,787
_	N/A	_
10,236,308	10,393,060	(156,752)
7,627,875	8,185,398	557,523
2,608,433	2,207,662	400,771
	\$ 5,898,135 4,639,908 74,005 (109,017) (43,838) (4,694) (218,191) — — — — — — — — — — 10,236,308 7,627,875	\$ \$ 5,898,135 6,296,870 4,639,908 4,050,233 74,005 54,586 (109,017) (84,130) (43,838) (14,546) (4,694) 36,691 (218,191) 277,410

above figures include subsidies received from the Province of Ontario and the Government of ada and which are detailed in Schedule 3.

ital Expenditures

11,365,735

8.046.565

3,319,170

foregoing statistics indicate an increase in net income of 18% or, after adjustment for inflation, roximately 10%. An expanded track program, the construction of a terminal for Star Transfer and the distinction of new freight equipment accounted for a major portion of the 41% increase in capital adding in 1977.

eral

Northlander rail passenger service comced regular operation in June between Timsand Toronto and also North Bay and Toronto.
as well received by the public but, because
charges and consequent federal subsidies
yet to be settled, the North Bay – Toronto local
ice was curtailed after seven months' operaThis modern equipment has already attracted
interest as a quality transportation compot of package tours and is expected to play a
role in strengthening the tourism industry in
heastern Ontario.

espite the introduction of energy saving de-

vices and procedures, rising costs along with the overdue upgrading of its fleet placed Ontario Northland transport services (Star Transfer Limited) in a deficit position. Improved service and some cost reduction is anticipated as a result of the consolidation of the transport and express services and the opening of the new Toronto terminal this summer. For reasons which should become apparent these comments provide an appropriate point of departure for some general observations and reflection on the role of the Ontario Northland Transportation Commission in general which may provide a wider perspective with which to project the future.

Long Term Financing and Subsidies

Solvency has always been a guiding principle in the Commission's pursuit of its twin goals — community service and economic development. The original long term liability of \$30 million, a non-interest bearing provincial loan, was fixed in 1924 and has appeared on our balance sheet ever since. In a broader context it represents a profitable public investment in terms of settlement in northeastern Ontario, the development of its mines, mills and factories, and in the assets which have grown from \$7½ million in 1905 to more than \$117 million in 1977.

Apart from the main line rail passenger service and the Moosonee branch, which receive a subsidy from the provincial government on the same grounds as the national railways are assisted by the federal government, the Commission's services must, together, pay their own way — the rail freight, telecommunications, bus, Chief Commanda II, transport services, Moosonee Lodge and Hannah Bay.

For a number of reasons including Ontario Northland's presence and experience in Northern Ontario and its technical expertise in the field of transportation and communications, the provincial government in recent years has assigned to the Commission certain projects and administrative duties such as the Remote North communications and power projects, standby power at Moosonee, the ferry between Moosonee and Moose Factory, the ferry between the Bruce Peninsula and Manitoulin Island (the Chi-Cheemaun), and norOntair. The province subsidizes the Commission for all costs incurred and operational losses. Conversely, as in the case of the Chi-Cheemaun, the Commission is obliged to return to the Province any earnings from these activities.

Public and Private Enterprise

Since its beginning in 1902 the Commission has had to deal with the problem of balancing its commitment to solvency with its goals of public service and economic development. This problem was magnified and complicated when cars and private bus and trucking companies began to make serious inroads on the Commission's rail traffic following the construction of new and improved roads and highways in the '40's and '50's. It had already been operating express trucks as a service to its rail customers and had introduced a bus service to carry miners between their homes and the mines when, to make provision for the possible extension of these services, legislation was passed in 1937 which enabled the Commission to operate truck lines, bus lines and airlines. An Order-In-Council granted it exemption from the Commercial Vehicle Act, the Public Vehicle Act and the Municipal Act, adding to the privileges already granted by virtue of its being an agency of the Crown. Notwithstanding, as the pressure of competition from highway transport mounted, the Commission, fearful of the charge of "monopoly", ceased to rely on its privileges, withdrawing and withholding its objections

when certain trucking companies applied for cences to ship automobiles and other goods in Northern Ontario.

Despite some internal misgiving, and only after severe decline in its rail operations and recomendations by economic and accounting constants, did the Ontario Northland begin to considerate the transport business itself—the coull already taken by other similarly threatened pull and private railway companies. Finally, in 1960 purchased Star Transfer Limited. It proved to be sound investment and signified to many peotithe Commission's ability to adapt to change.

Public ownership has long been accepted Canadians, but economic conditions have affeed the degree to which they feel it is necess. The present weak economy and accompany problems of serious inflation and unemploymenve again focused attention on the role of gernment, just as they did after the Great Deprision. Whereas at that time, however, people flected on the need for government to mobilize resources in peacetime as it was able to do durithe War — today an articulate sector of sociolames the growth and intervention of government of cour troubled economy. "Privatization" "deregulation" have become for many the key renewed economic health.

Against this backdrop Star Transfer has come the subject of a controversy precipitated doubt, by rising costs, numerous illegal operat and the first steps towards deregulation of industry which together have intensified com; i tion and reduced industry profitability to an a age of about 5%. The period of the trucking inc try's greatest expansion ended in 1975 and "shake-out" has begun despite the steady g highway transport continues to make in its c petition with rail. The resulting dilemma is a c petition between a publicly owned intermed transportation system and privately owned tr.3 port companies, each of which is strugglin protect its investment and maintain financial bility. Caution, wisdom and, above all, object will be the essential requisites in setting On! Northland's course in the uncharted was ahead.

Outlook

More than 50% of Ontario Northland's revening derived from rail freight, and three-quarters of its related to the mining and forestry industries.

Even after three years of generally below and age performance there is still little room for mism in the mining industry, at least for the future. Some increase in home construction in the United States, a heavy demand for newspring advance of price increases, and the discounce Canadian dollar have provided good short prospects, but are not long term solutions to state the problems in the forestry industry must conclude that increased efficiency and entire transportation and marketing (1).

ns are of critical importance to Ontario North-

nas been claimed that tourism is the world's set growing industry. Ontario Northland has many years of experience in this field. Bus a cross Canada and into the United States contributed modest profits. The Polar Bear ess and Chief Commanda II have been called cornerstone of northeastern Ontario's tourist ctions, and their contribution to the economy e region is undisputed. Nevertheless the Polar Express, although surpassing all expectas with regard to utilizing our rail passenger ice, continues to require subsidization, as a of that service; and the operational losses of Chief Commanda II must be covered by the amission's general revenues.

nere has been some commitment by the proial government to act upon regional requests evelop major attractions at Moosonee and Coand to increase its promotion of tourism in thern Ontario. If some of these possibilities erialize a brighter financial future may lie ad for the Polar Bear Express and the Chief mmanda II.

ne Northlander rail passenger service and rter buses are already involved in new package s and we believe this sector of the Commisw's operations holds promise for development.

Personnel

During the past year Ontario Northland was saddened by the untimely passing of its assistant general manager and corporate secretary, Mr. T. G. Farmer, Q.C., and by the accidental deaths of three employees following a level crossing collision between an oil truck and a freight train.

Lastly, I wish to draw attention to the importance of our own people to the communities of northeastern Ontario and to the Commission itself. The Commission employs approximately 2,000 people with a payroll, last year, of \$30.5 million. In addition 916 pensioners received \$3 million. These amounts of money together with our disbursements to suppliers in northeastern Ontario make an economic impact that can scarcely be overestimated. Our vigorous and resourceful management team has responded to difficult times with intelligence, imagination and stamina. Our employees, on whom so much depends, deserve recognition for their efforts, genuine involvement and loyalty. It is my conviction that the members of Ontario Northland and their families, today as in the past, make a major contribution to the social and economic well being of Northern Ontario.

F. S. Clifford General Manager

REVIEW OF OPERATIONS

RAIL SERVICES

The first two Trans Europ Express trainsets arrived in May, 1977, and after initial testing and modifications of the equipment in the North Bay shops were placed in revenue service, operating under the name of NORTHLANDER. The remaining two sets arrived in late fall and were in service in early December. Operations in Northern Ontario indicated that operating changes were necessary and the Mechanical Department devised the necessary modifications.

A general overhaul and rebuilding program for the existing motive power fleet were initiated in 1976, and in 1977 three locomotives were completely overhauled and returned to service in virtually "new" condition.

The new Car Shop complex, completed in 1975, has proved its worth in the never ending routine of maintenance repair and servicing of freight and passenger cars.

Fifteen point six (15.6) miles of new 115 lb. rail were laid in 1977, 8.2 miles of which was continuous welded rail. Installation of 100,000 heavy duty tie plates and 35,000 new ties was completed during the year.

As the first stage of a program to upgrade living facilities for maintenance of way employees, three new houses were erected on the Island Falls Subdivision.

Several stations were upgraded in advance of the introduction of the new Northlander passenger service. The Temagami and Moosonee stations, which had been damaged by fire, were also renovated.

Nineteen seventy-seven freight tonnages of 5,622,262 net tons represents a 3.0% increase over the preceding year. The total carload freight revenue of \$26,632,257 was virtually equal to forecasted budget.

The newsprint industry operated continuously in 1977 compared to a 10½-month operation in 1976 on account of the industry wide strike, and tonnages of newsprint, pulpwood, woodpulp and related chemicals reflected this production increase.

The continuing poor demand for most metals and increasing competition from other countries has created high inventory levels with resultant reductions in production, specifically zinc metal and nickel concentrates. The reduction in zinc metal production resulted in a similar reduction of sulphuric acid production.

Poor market conditions resulted in the termination of operations on March 31, 1978 by Langmuir Mines, nine months earlier than expected, and Texasgulf's copper smelter and refinery project being delayed. Also as a result of poor market conditions, Texasgulf will curtail production during the month of July, 1978.

The first full year of the tree-length log unit train operation from Fraserdale to Cochrane Enterprises Ltd., Cochrane, resulted in 234 trains and

over 240,000 net tons shipped. Additional to nages are expected during 1978 due to the utiliz tion of the 15 new 66-foot bulkhead flat cars deletered in August, 1977, bringing the fleet to the 5 car complement. Cochrane Enterprise's lumb shipments were partially responsible for a 10 increase in lumber tonnages in 1977 over our sytem.

Gasoline and oil shipments remained virtua unchanged in 1977.

It is anticipated that some traffic will be derived from the scheduled resumption of production the former Kokotow mill at Kenogami in late 197 Further ore drilling was completed at United A bestos Midlothian Mine in 1977, and hopefully the mine will reopen in 1978.

No significant changes are expected overall do to the very slow recovery of the economy.

TRANSPORT AND EXPRESS SERVICES

Transport freight load increased by 10.1%, cost by 9.2% and revenues by only 2.9%. The introdution of fuel saving mechanics and close scrutiny vehicle efficiency held energy costs to the 19 level. The upgrading of the trailer fleet, by increaing hauling capability, put the transport service a better competitive position. Invoicing produres were changed late in 1977 which expedit terminating delivery service and reduced costs both activities.

The opening of the new \$3½ million Toror terminal is scheduled for early summer, 1978.

Express service revenues increased 6.5% di ing 1977. Single parcel express shipments (Ra dex and Package Express) continue to expa very rapidly due to lower rates and the fa dependable service. This type of traffic now repsents 35% of the total shipments handled.

Highway scheduled runs operated by the trar port services carry all express interchanged frought and to both Canadian National and Canadian Figure Express companies. Traffic is also forward in combined transport and express services highway runs.

Six pickup and delivery trucks were replaced Kirkland Lake, Timmins and Cochrane. The Cocrane freight shed was upgraded and transport a express services now operate from this termin All terminal areas common to both transport a express services are now consolidated with t exception of Timmins.

A rate increase was necessary to meet risi costs but the 15% differential below national press levels was maintained on local traffic with Ontario Northland.

TELECOMMUNICATION SERVICES

Despite a decrease in long distance calling, the revenue position of the service was maintained 1977

With the addition of the communities of Mosonee, Moose Factory, Cochrane, Smooth Ro

, Moonbeam, Kapuskasing and Hearst, the hase of the direct distance dialing program in egion was completed.

placement of the main route microwave sysbetween North Bay and Timmins by a larger more modern system was completed in 1977.

e five microwave sites on the James Bay t neared completion ahead of time and under jet. This service, which is being funded by the incial government, will provide isolated Indian munities with long distance telephone, CBC and television.

SERVICE

pite a series of problems including labour disus, technical difficulties and a major change in tract format, norOntair attained a 9% growth in 7 with total ridership of 89,774 passengers. se totals were reduced substantially by a major distry strike which took place in August and by aordinarily poor flying weather in the months bevember and December.

ne year saw an important transition in the forof norOntair. Air-Dale Limited, of Sault Ste.
die, replaced Bradley Air Services as the priy contractor in northeastern Ontario, and
efferred norOntair operating bases from Tims to Sault Ste. Marie and Kirkland Lake. In addia communications office was established at
North Bay Airport to coordinate the activities of
many norOntair contractors. This office is
ipped with sophisticated communications and
trol equipment and is designed to promote

SERVICES

passenger traffic showed some decline which been attributed in part to the inauguration of Northlander rail passenger service. The small in profit resulted from the increasing use of es for charters and tours. Two California tours ch were introduced in 1977 were completely d. During the months of May and June the encharter fleet of eight buses was in continuous for school charters between points in North-Ontario and primarily the Toronto and Ottawa as. Ontario Northland buses travelled more in two million miles during 1977.

URIST SERVICES

osonee Lodge

a result of the general decline in tourism, Moodee Lodge experienced a lower occupancy rate in in 1976. Revenues from food sales were subinitially less as a result of adverse weather condiis during August and the earlier daily departure e of the Polar Bear Express from Moosonee.

nnah Bay Camp

spite the considerable expenditure on improveints to the kitchen, dining room, the cabins and ewalks, a profit was realized because of anothexcellent year for this popular camp.

MARINE SERVICES

From a technical and operational point of view, the 1977 season of the Chi-Cheemaun and Chief Commanda II must be called a major success; however, revenues were down. Poor weather and weak overall tourist demand led to a zero growth result for Chi-Cheemaun, whereas the Chief suffered an actual decline in traffic.

The Chi-Cheemaun, thanks to the dedicated efforts of her crew, managed to avoid the serious problems which caused shutdowns in previous years. At the same time, the Chief II achieved a continuation of her 100% schedule reliability. The Chi-Cheemaun carried 208,000 passengers and 79,000 vehicles in 1977, a slight increase over 1976. At the same time the Chief attracted only 27,000 passengers in 1977, down almost 2,000 from the previous year. In both cases by virtue of a hoped-for rebound in general tourist activity as well as continued aggressive marketing, a better year is forecast for 1978.

CORPORATE SERVICES

Systems and Planning

During the year many diverse projects of varying magnitude were undertaken to assist management and various departments in corporate planning, industrial engineering, systems development, cost analysis and facilities development functions.

The major highlight of the year was the start of construction of the new Transport Services Terminal in Toronto. Another significant project was the development and operation of a ferry service to carry vehicles and passengers between Moosonee and Moose Factory. The Manitou Island II, from the Lake Nipissing operation, was rebuilt and transported to Moosonee for this purpose; and a used barge, the Peche Island, was purchased and refurbished for the Lake Nipissing operation. The project was completed on schedule, June 1, 1977, and experienced a successful operating season.

Continued negotiations with the Canadian Transport Commission resulted in increased subsidies for the passenger service between Swastika and Noranda.

Assistance was provided to the Air Services group in establishing their North Bay operations centre

A study of the Commission's printing requirements led to the acquisition of printing equipment to provide in-house printing capabilities. Present indications are that substantial savings have been made in this area.

Public surveys were carried out on the Northlander, Chi-Cheemaun, Chief Commanda II, nor-Ontair and buses to determine the public's reaction to each of these operations.

Personnel and Labour Relations

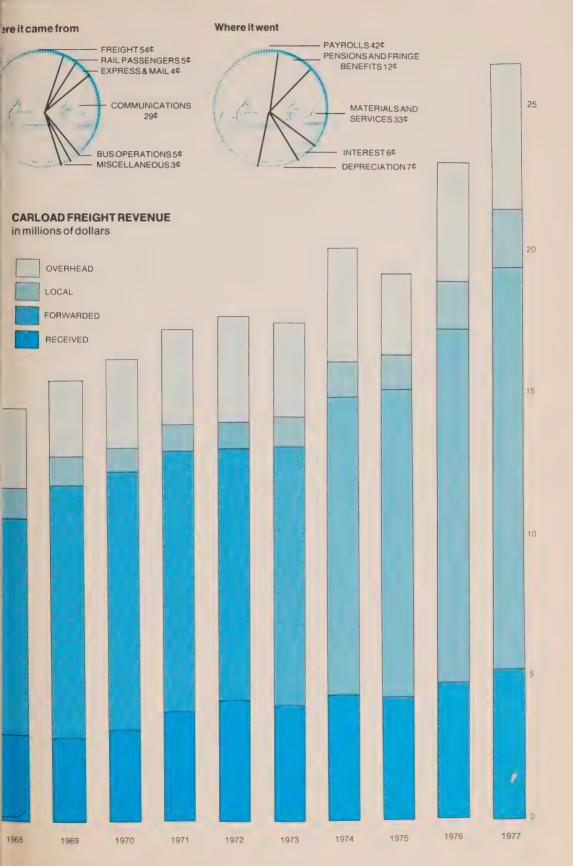
Labour-Management Consultation Committees were established in the Train Operations and Facilities Maintenance Departments, bringing the number of such committees to six. Meetings of these committees together with regular meetings between Senior Management and Senior Union Representatives continued to promote good Management-Union relations.

Negotiations with the Teamsters' Union resulted in renewals of collective agreements covering Transport Services' unionized employees for a two-year period.

National negotiations also commenced in Ocber for renewal of collective agreements expiring December 31, 1977, covering the majority of Cario Northland's unionized employees.

The efforts of the Accident Review Committogether with a concerted Safety Training P gram resulted in a decrease in lost-time injur and a significant reduction in overall Workmel Compensation Board costs.

Mangement training continued in 1977 with temphasis on basic management concepts and a cident prevention.



Consolidated Balance Sheet

as at December 31, 1977

Assets	1977	1976
	\$	\$
Current Assets		
Cash	1,043,786	1,127,008
Marketable securities at cost (market value		
1977 — \$432,195; 1976 — \$437,687)	485,750	485,750
Accounts receivable (note 2)	10,267,301	8,446,958
Materials and supplies (note 1b)	3,233,111	3,141,830
Prepaid expenses	181,594	90,267
	15,211,542	13,291,813
Deferred Charges and Other Assets — at cost		
Insurance and other funds (approximate	007.074	075 000
market value 1977 — \$220,981; 1976 — \$266,794) (note 1f)	227,671	275,933
Franchises (note 1c)	954,433	954,433
Deposit	20,000	20,000
Investment in Telesat Canada	150,000	150,000
Mortgage receivable — due May 1, 1978	1,204	1,204
Other	626	626
	1,353,934	1,402,196
Investment in Property — at cost (schedule 1 and note 1d)	164,420,587	158,256,654
Less: accumulated depreciation	52,779,436	49,774,237
	111,641,151	108,482,417
Under construction	5,524,274	2,630,429
	117,165,425	111,112,846
Contributory Pension Fund Held in Trust		
(schedule 2) (approximate market value		
1977 — \$45,104,000; 1976 — \$38,494,000)	45,748,617	39,004,023
	179,479,518	164,810,878

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

G. E. Carr, Commissioner

F. S. Clifford, General Manager

abilities	1977	1976
	\$	\$
rrent Liabilities		
mand loans — Bank — guaranteed by		
Province of Ontario	1,870,000	1,133,000
- Province of Ontario (note 7)	42,500,000	42,500,000
counts payable and accrued charges	9,965,218	8,547,740
	54,335,218	52,180,740
serves		
surance and other funds	227,671	275,933
ng Term Liabilities		
nk loan (note 8)	1,103,000	_
an from Province of Ontario, non-interest bearing	30,207,935	30,207,935
	31,310,935	30,207,935
entributory Pension Fund Held in Trust		
chedule 2 and note 3)	45,748,617	39,004,023
ntributed surplus	10,864,173	8,757,776
rtained income	36,992,904	34,384,471
	47,857,077	43,142,247
	179,479,518	164,810,878

the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 77, and the consolidated statements of income, retained income, contributed surplus and changes in financial position for year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly studed such tests and other procedures as I considered necessary in the circumstances.

n my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December . 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with nerally accepted accounting principles, after giving retroactive effect to the change in accounting relative to Provincial bsidies income referred to in note 6 to the financial statements, applied on a basis consistent with that of the preceding year.

F. N. Scott, C.A. Provincial Auditor.

Consolidated Statement of Income

for the year ended December 31, 1977

	1977	(note 6
	S	
	3	~
Rail Services Revenue	31,467,515	27,652,
Expenditures	34,866,321	27,995,
Net loss from operations	(3,398,806)	(343,
l'elecommunications		10.004
Revenue	14,387,747 9,747,839	12,824 8,774
Expenditures		
Net income from operations	4,639,908	4,050
Bus Services Revenue	2,687,289	2,498
Expenditures	2,613,284	2,443
Net income from operations	74,005	54
Marine Services (North Bay)		
Revenue	242,690	273
Expenditures	351,707	357
Net loss from operations	(109,017)	(84
Marine Services (Owen Sound) Revenue	2,311,440	2,17
Expenditures	2,207,507	2,05
Net income from operations	103,933	118
Marine Services (Moosonee)		
Revenue	20,365	
Expenditures	78,490	
Net loss from operations	(58,125)	-
Tourist Facilities—Moosonee and Hannah Bay Revenue	300,299	27
Expenditures	344,137	29
Net loss from operations	(43,838)	(1
Temagami Water and Moosonee Power		
Revenue	3,282	/2
Net income (loss) from operations	7,976	3
Net income (1055) irom operations	(4,004)	
Air Services (norOntair)	2 206 603	2,02
Revenue Expenditures	2,296,693 3,594,773	3,30
		(1,28
Net loss from operations	(1,298,080)	(1,20

	1977	(note 6) 1976
	S	\$
insport Services	7.007.550	7.040.004
venue	7,887,552 8,105,743	7,642,884 7,365,474
penditures	0,103,743	
Net income (loss) from operations	(218,191)	277,410
mote North — Power		440.005
venue	65,973 105,811	113,895 125,494
oenditures		125,454
Net loss from operations	(39,838)	(11,599)
mote North — Communications		
venue	8,119	6,586
penditures	276,322	281,048
Net loss from operations	(268,203)	(274,462)
tal revenue from operations	61,678,964	55,487,113
tal expenditures for operations	62,299,910	52,962,861
come (loss) before other charges	(620,946)	2,524,252
her Charges erest on demand loans	3,548,689	4,338,991
yments toward the unfunded liabilities of Contributory Pension Fund (note 3)	4,159,116	3,436,409
tial funding of Contributory Pension Fund re Star Transfer Limited employees	_	595,839
Total other charges	7,707,805	8,371,239
et loss before Government subsidies	(8,328,751)	(5,846,987)
overnment subsidies (schedule 3)	10,937,184	8,054,649
et income for the year	2,608,433	2,207,662

Consolidated Statement of Retained Income

for the year ended December 31, 1977

	1977	(note 6) 1976
	\$	\$
Balance, beginning of year	34,384,471	32,176,8
Add: Net income for the year	2,608,433	2,207,6
Balance, end of year	36,992,904	34,384,4

onsolidated Statement of Contributed Surplus

the year ended December 31, 1977

		1977	1976
		5	\$
ance, begin	ning of year	8,757,776	9,233,102
	sement of capital expenditures evince of Ontario		
	tair aircraft and associated equipment	2,580,107	_
-barges	S	273,710	_
	Limited	137,550	_
		11,749,143	9,233,102
s: deprecia	ation charges for the year	697,488	475,326
	ent of norOntair aircraft	187,482	_
		884,970	475,326
lance, end of	fyear	10,864,173	8,757,776

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1977

	1977	(note 6) 1976
Source of working capital:	\$	\$
Net income for the year	2,608,433	2,207,6
Items not requiring an outlay of working capital		
—depreciation expense	4,304,843	4,207,1
-other items (net)	18,853	-
	6,932,129	6,414,8
Proceeds on disposal of property	104,490	477,2
Proceeds of bank loan (note 8)	1,103,000	-
Proceeds on disposal of power line	_	6,050,8
Reimbursement of capital expenditures by		
Province of Ontario re:		
Commission	2,853,817	_
The Owen Sound Transportation Company, Limited	137,550	_
	11,130,986	12,942,9
Use of working capital:		
Addition to investment in property	11,365,735	7,961,5
Additions to investment in franchises		85,0
	11,365,735	8,046,5
Increase (decrease) in working capital	(234,749)	4,896,3
Deficiency, beginning of year	(38,888,927)	(43,785,3
Deficiency, end of year	(39,123,676)	(38,888,9
Changes in Working Capital		
Current assets – increase (decrease) Cash	(93 222)	271,4
Marketable securities	(83,222)	(196,0
Accounts receivable	1,820,343	127,2
Materials and supplies	91,281	(203,0
Prepaid expenses	91,327	(11,4
	1,919,729	(11,7
Current liabilities — decrease (increase)	(707.000)	10.767.0
Demand loans — Bank	(737,000)	12,767,0
Demand loans — Province of Ontario	(4 447 470)	(7,500,0
Accounts payable and accrued charges	(1,417,478)	(358,8
	(2,154,478)	4,908,1
Increase (decrease) in working capital	(234,749)	4,896,3
	/======================================	

nedule of Investment in Property

December 31, 1977

Schedule 1

	1977	1976
	\$	\$
- Roadway	73,725,440	71,479,308
- Buildings	11,525,620	11,468,816
- Equipment	27,326,297	25,831,872
communications	29,460,158	27,964,501
9S	1,645,437	1,645,645
	927,413	665,387
als	336,186	336,186
er services	30,806	30,806
Ontair aircraft	4,396,359	4,078,338
note North power and communications	292,991	292,991
Transfer Limited — vehicles	3,768,002	3,610,134
- other	2,602,312	2,471,510
Owen Sound Transportation Company, Limited		
-vessel	8,269,820	8,269,820
— other	113,746	111,340
ss investment in property	164,420,587	158,256,654
3: accumulated depreciation	52,779,436	49,774,237
investment in property	111,641,151	108,482,417
er construction	5,524,274	2,630,429
	117,165,425	111,112,846

Ontario Northland Transportation Commission Contributory Pension Fund Held in Trust Schedule of Transactions and Fund Balance

Schedul

for the year ended December 31, 1977

	1977	197
	\$	\$
Contributions received: —from the Commission, wholly-owned subsidiaries and staff —from the Commission toward unfunded	2,472,112	2,872
liability (note 3)	4,159,116	3,436
initial funding for its employees	_	595
	6,631,228	6,904
Cash proceeds from The Excelsior Life Insurance Company		
re Star Transfer Limited	-	202
Investment income — term deposits	60,859 2,931,220	115 2,587
- stocks	281,166	212
Premiums, less discounts, on disposals of investments	44,321	-
	9,948,794	10,023
Deduct:		
Pensions paid	3,062,598	2,743
Contributions refunded to staff	141,602	148
Discounts, less premiums, on disposals of investments	_	384
	3,204,200	3,275
Increase in the fund for the year	6,744,594	6,747
Fund balance, beginning of year	39,004,023	32,256
Fund balance, end of year	45,748,617	39,004
Consisting of:		
Assets Cash	(57,798)	37
Accounts receivable	440,560	524
Short term deposits	200,000	4,000
Bonds, at cost (market value		
\$38,539,256; 1976 — \$27,951,957)	38,714,224	28,253
\$5,981,540; 1976 — \$6,213,287)	6,451,631	6,422
	45,748,617	39,236
Less: liabilities		
Accounts payable	_	232
Net assets	45,748,617	39,004

hedule of Government Subsidies

he year ended December 31, 1977

Schedule 3

	1977	(note 6) 1976
	5	\$
eived from Province of Ontario:		
hrane — Moosonee branch line	2,640,000	2,070,000
n line passenger train	2,190,504	2,214,996
thlander	3,789,887	_
note North communications	308,041	283,274
services (norOntair)	1,365,415	1,489,717
osonee ferry	58,125	_
	10,351,972	6,057,987
nsfer to Province — The Owen Sound ransportation Company, Limited, rofits		
Re: 1975	_	221,267
Re: 1976	_	137,689
Re: 1977	91,338	_
	91,338	358,956
Total Provincial subsidies	10,260,634	5,699,031
eived from Government of Canada:		
passenger	676,550	744,217
freight	_	1,611,401
Total Federal subsidies	676,550	2,355,618

Notes to Consolidated Financial Statements

December 31, 1977

1. Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility values

(c) Franchises

Franchises consist of the following

Transmises consist of the following.	<u>1977</u>	
Bus and truck franchises	485,439	485 (
Excess of cost of investment in subsidiaries over the book value of the underlying net		1
assets at dates of acquisition	468,994	468
·	954,433	954

In the opinion of management there is no indication of a decline in value of the above items and accordingly they ar being amortized.

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of the Commission's office furniture and equipment, was charged to operations in the year of purchase. With the exception of highway equipment, depreciation is pring provided on a straight-line basis based upon the estimated service lives of depreciable property. Highway equipment depreciated on the diminishing balance basis based upon the estimated service life of the equipment. Except uncompleted projects, for which no depreciation is provided, depreciation generally is based on asset balances a beginning of the year. For railway and telecommunication properties, the rates used are as authorized by the Cana Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road — main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transption and Communications, were transferred to the Commission and The Owen Sound Transportation Company, Lin respectively, during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred to Ministry together with offsetting credits to Contributed Surplus. Additionally, reimbursements by the Province of Or of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Compulsionally, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the air and the vessel, are recorded as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission and its wholly-owned subsidiary, Star Transfer Limited, follow the policy of self-insuring for dail from train derailments and motor vehicle collisions respectively.

2. Accounts Receivable

Accounts receivable include subsidies receivable from the Province of Ontario amounting to \$2,226,026 (1976—\$814,810

3. Contributory Pension Fund

As at December 31, 1977, based on the latest actuarial reviews, less payments, the remaining unfunded liability (Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$36,744,196. (amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$17,301,089 represent outstanding amount of unfunded liabilities created subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance wit Regulations under The Pension Benefits Act. These payments have the effect of:

⁻preventing an increase in the initial unfunded liability;

⁻liquidating the balance of the unfunded liabilities over a period ending substantially December 31, 1990.

nti-Inflation Legislation

Commission and its wholly-owned subsidiaries are subject to controls of prices, profits and compensation instituted by the earl Government in the Anti-Inflation Act effective October 14, 1975.

ease Commitment

er the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease four Trans Europ Express-1 el-el-electric trainsets and major exchange spare components from the Urban Transportation Development Corporation Ltd. (DC). The agreement provides for a net, net lease between the Commission and UTDC for a term of sixty-three months mencing May 4, 1977. Rent paid during the current year was \$1,000,000 with the balance payable by the Commission, in cance, in eight semi-annual payments of \$500,000 each.

thange in Accounting Policy

profit of \$91,338 transferred from The Owen Sound Transportation Company, Limited to the Ontario Northland asportation Commission was applied as a reduction to Provincial subsidies income. This change in accounting policy has applied retroactively and the net income for 1976 has been restated by \$358,956.

apital Restructuring

Province of Ontario has made certain recommendations respecting the capital restructuring of the Ontario Northland insportation Commission. Such recommendations will become effective upon completion of a Memorandum of Underding between the Ministry of Northern Affairs and the Commission. The recommendations provide that \$5,000,000 of and loans from the Province be converted to non-interest bearing loans and that the proceeds from a 25-year serial centure for \$40,500,000 to be held by the Treasurer of Ontario will first retire the balance of demand loans and secondly ride for additional capital commitments as required. Terms of the debenture will provide for only interest payments to 1983 which both principal and interest payments will commence. The Commission will be authorized to borrow up to 100,000 from chartered banks for working capital requirements provided such loans are not guaranteed by the Province of fario. In addition certain services designated as non commercial operations are to receive full subsidy, including an wance for a return on any assets employed.

ank Loan

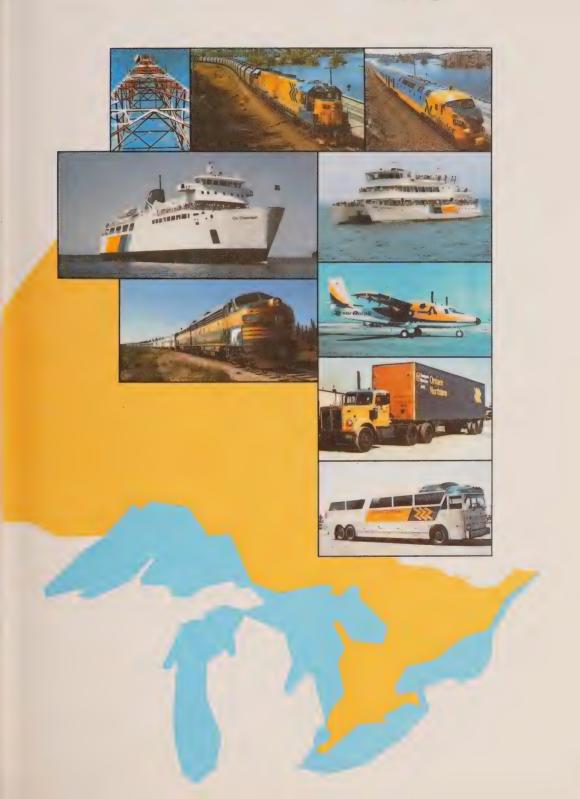
loan, bearing interest at 10 per cent, represents partial financing for the construction of the new Toronto terminal, and is used by the general credit of the Ontario Northland Transportation Commission. Upon completion of construction of the inal in 1978, the balance outstanding at that time will be secured by a first mortgage. The additional construction costs are nated to be approximately \$1.4 million.





Annual Report 1978

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PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C. Prime Minister

Honourable Leo Bernier, Minister Ministry of Northern Affairs



78th ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ended December 31, 1978



MINISTRY OF NORTHERN AFFAIRS

The Honourable Pauline M. McGibbon,
O.C., B.A., L.L.D., D.U. (Ott),
Lieutenant-Governor of the Province of Ontario.

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 78th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1978.

Respectfully submitted,

Leo Bernier, Minister.

May 23, 1979

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1978 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W. J. Mathews, Chairman.

May 17, 1979

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- W. J. Mathews, Chairman, Cobalt
- I. W. Hollingsworth, Commissioner, Sault Ste. Marie
- R. L. Piche, Commissioner, Kapuskasing
- G. E. Carr, Commissioner, North Bay
- P. A. Burns, Commissioner, Dryden
- J. W. Spooner, Commissioner, Timmins

PRINCIPAL OFFICERS

- R. O. Beatty, Acting General Manager
- M. C. Hicks, Senior Director Marketing Intermodal and Passenger Services
- D. E. MacDougall, Comptroller and Senior Financial Officer
- L. K. Smiley, Senior Director Administrative Services

EPORT OF THE GENERAL MANAGER

.W.J.Mathews

North Bay, Ontario May 11, 1979

e following report of Ontario Northland Transportation Commission operations which ended cember 31, 1978, is respectfully submitted:

nsolidated Net Income

	1978	1977	(Decrease)
	\$	\$	
il	5,928,372	5,898,135	30,237
lecommunications	5,225,272	4,639,908	585,364
s	(32,728)	74,005	(106,733)
ke Nipissing Marine	(122,631)	(109,017)	(13,614)
tel and Camp	(43,072)	(43,838)	766
magami Water	(18,393)	(4,694)	(13,699)
ansport (Star Transfer)	(531,592)	(218,191)	(313,401)
rOntair	_	_	
ren Sound Marine	_	Marrie	_
mote North Projects	_		
osonee Ferry Service	_	_	magnets.
tincome before interest on Debt and			
Jnfunded Liabilities on Pension Fund	10,405,228	10,236,308	168,920
t Interest on Debt and Pension Fund	7,440,961	7,627,875	186,914
t Income for the Year	2,964,267	2,608,433	355,834

e above figures include subsidies received from the Province of Ontario and the Government of nada and which are detailed in Schedule 3.

pital Expenditures

9,661,948

11,365,735

1978 a Memorandum of Agreement was wn up between the Ministry of Northern airs and Ontario Northland Transportation mmission with regard to our commercial and 1-commercial operations, the latter being se services which are to be operated by the mmission on behalf of the Government of tario, fully subsidized for all variable costs 1 to include depreciation and return on the book value of the Commission's fixed assets 1 working capital employed in such operans. We have not had enough experience with

sition in the ensuing years.

to the inception of the Northlander passentrain operations and increased freight mopower maintenance, it was found necesy to construct an addition to our present tive power facilities at North Bay at an esated cost of \$1,375,000. It is expected that addition to the facility will be in operation by I-May of 1979.

Memorandum of Understanding to comnt on its success or failure to our financial

umber of circumstances took place in 1978 t will reflect on our 1979 operations and ich should be drawn to your attention; these

are, namely:

Initially, our Transport Services suffered an operating loss of \$1,057,000. in 1978, and we will be taking steps to minimize this loss through an active reorganization of services supplemented by a vigorous sales effort.

Secondly, rail freight revenues remained static showing little or no growth through the years 1977-78, and the outlook for improved traffic flow is far from optimistic; we will attempt to combat this position by increased operating economies; freight rate increases being offset by tonnage decreases.

Thirdly, we are faced in 1979 with increased pension deficiency payments of \$700,000. in accordance with the Ontario Pension Benefit Act

Finally, recent labour negotiation settlements and the provincially implemented taxation on diesel fuel have increased our financial burden beyond that earlier contemplated.

A more detailed review of the Commission's operations is contained in the report which follows.

R. O. Beatty Acting General Manager

REVIEW OF OPERATIONS

RAIL SERVICES

The year 1978 was the first full year of operation for the Northlander train service, the response by the public has been acceptable and is due in part to the employees associated with this service. In 1978, a total of 53,694 persons travelled on the Kapuskasing-Timmins-Toronto corridor. Although various minor mechanical problems were experienced, the service has met projected scheduled passenger carryings and is meeting the growth forecasts. In October of 1978, the Northlander service was contracted to Canadian National, replacing conventional equipment on the weekend train service operating between Toronto and North Bay. Through the combined efforts of Canadian National and Ontario Northland, the service has been accepted readily by the general public. The regular Northlander service, along with the weekend service, has resulted in optimum utilization of this equipment.

The \$1.3 million Diesel Shop extension project commenced in September of this year and will be completed in May of 1979.

The Engineering Department continued the program of upgrading living and working facilities for Maintenance of Way employees, which included the construction of a new section-house in Temagami.

The program of overhauling and rebuilding the existing locomotive fleet, initiated in late 1976, continued throughout the year. Four locomotives were completely remanufactured and returned to service in an "as new" condition.

A program of rebuilding car bodies on the ten-year-old, one-hundred-ton gondola car fleet was initiated in June of 1978. By year's end, 59 of the 96 cars in this highly utilized fleet had been refurbished and returned to revenue service.

In the continuing coach overhaul program, one passenger coach was overhauled, refurbished and returned to service, and work commenced on a second coach. The first of eight caboose shells entered our car shop in late 1978 for complete outfitting for freight transportation service. The never-ending routine of

servicing, maintaining and repairing locomitives and freight cars required for a successfrail operation engaged the major proportion the Mechanical Department's resources on again in 1978.

Five point five (5.5) miles of new jointed rewere laid in the past year and in addition, 38,50 ties were installed and 31,000 tons of roballast distributed.

A Maintenance of Way Training Progra commenced in May of this year. This progra provides for two-or-three-week courses for permanent Maintenance of Way employees a is expected to be concluded in April of 197. The purpose of this training program is ensure that our Maintenance of Way employe are fully trained and capable of handling a and all maintenance and emergent problems their operating field.

The total carload freight revenue \$26,707,863 was 3% short of budget forecast and freight traffic of 5,553,745 net tons in cates a 1.2% decline from 1977 handling. The been attributed for the most part to continuing downtrend in the mining industing the first three quarters of the year.

Inasmuch as mining and forest produmake up approximately 81% of total freign shipments, any adverse conditions affectivese two industries directly reflect on cearning ability. The mining industry in North Ontario and Northwestern Quebec operativell under capacity during the year; shipme of copper anodes, copper, zinc and lead ocentrates all fell below 1977 levels.

Zinc metal was an exception but only due the fact that shipments were drawn from c siderable stored inventories. Metal prices fl tuated spasmodically with copper remain quite unstable until later in the year when uptrend became evident.

Mining products, which make up appremately 60% of total shipments, collectively creased approximately 3% from 1977 lev. The single exception to this trend was iron which accounts for 47% of our total tonnand 22% of our total revenue. With proveniore reserves for 20 years or better at presproduction levels and a continuing demand

eel, our iron ore producers should remain as a gnificant stabilizing influence on traffic flows drevenues.

The forest product industry enjoyed an excelnt year, which was evidenced by an increase approximately 4.3% in total shipments coverg all related products. Newsprint and wood lp, which account for approximately 11% of tal shipments, increased approximately 6.6%, e major factor being a continuing strong emand for newsprint export and a weaker anadian dollar, which made the Canadian oduct more attractive. This demand is exected to continue through 1979.

TANSPORT AND EXPRESS SERVICES

re Freight of All Kinds (FAK) rating tariffs were troduced early in the year. This type of rating sults in easier rating and improved customer tisfaction. Although the FAK rating structure duced rates previously charged, the industry trpose is to stimulate and increase sales.

We experienced a significant reduction of proximately 7% in weight and in gross reveles from our position in 1977. This decrease is tributed to the presently experienced Northstern Ontario slowdown in economy and creased competition from newly licensed and ivate carriers.

The new Toronto Terminal and maintenance cility was occupied on July 1st of this year. It new site presents to the public a smart, odern image of Ontario Northland transport rivices.

Express shipments increased 13% over 1977 clumes, however, revenues remained at the ime level. All express traffic is now handled in heduled and combined transport and exess service movements, except Rouyn, Quecand Moosonee, which are still served by

Four new pickup and delivery trucks were aced in service at Timmins, Kirkland Lake and w Liskeard, and shed handling equipment supdated during the year by the purchase of ree electric pallet trucks.

Local traffic on Ontario Northland continues enjoy a 15% differential below the national televel.

TELECOMMUNICATIONS SERVICES

While the long distance traffic handled by the Branch and the related gross revenue rose about 10½% over the previous year, the net operating profit position was up almost 13%.

In May of 1978, contemporary long distance telephone, radio and television services were supplied to the communities of Fort Albany, Kashechewan and Attawapiskat on the western shore of James Bay. This project, which involved building a microwave system through the remote James Bay lowlands, was funded by the Provincial Government. It was turned over to Ontario Northland to become part of its regular telecommunications operations by the Minister of Transportation and Communications, the Hon. James Snow, in ceremonies at the James Bay communities in September of 1978.

Also during the year, the residents in the Tilden Lake and Marten River area were provided modern dial telephone service utilizing the latest in telecommunications and computer technology. Prior to this, they had crank-type telephones on crowded party lines.

The last phase of the customer long distance dialing program commenced during the year with the installation of computer-controlled operator switchboards. This will improve long distance service to customers in the Ontario Northland served territory and the primary switchboard location which is located in Cochrane will be gradually put into service starting early in 1979.

AIR SERVICES

The year 1978 was a milestone year for nor-Ontair. For the first time in the airline's seven year history more than one hundred thousand passengers were carried. In addition there was a major breakthrough in the cost effectiveness of the system. The subsidy per passenger was reduced from \$15.14 in the previous year to \$7.98 per passenger. Passenger revenue accounted for 77% of operating costs. This .77 ratio compares very favourably to other publicly supported transportation entities such as the T.T.C. and GO Transit. The year also saw the addition of service to Red Lake which took

place in March and the filing of an application for service to Hornepayne, Geraldton and Terrace Bay. Subject to Government approval, service will commence to these communities in 1979 bringing the total number of communities served by norOntair to twenty.

MARINE SERVICES

Owen Sound Transportation Company

The year 1978 was a very good year for the Owen Sound Transportation Company and the M.S. Chi-Cheemaun. Vehicular traffic was up 5%, passenger traffic up 10% and overall revenue up 12% from the previous year. We had an average of 81.3 automobiles per sailing which represents a 71% load factor. Traffic peaks from mid-July to mid-August and an unprecedented 97% load factor was achieved in this period. Increased demand has led to some problems and studies are presently underway looking at various ways and means of reducing congestion. In the spring of '78 a major modification to the parking lot at Tobermory was accomplished and this, in turn, has resulted in a marked increase in walk-on passenger traffic due to ample free parking.

Chief Commanda II

The year 1978 was a somewhat disappointing year for the Chief II. A continuation of the excellent reliability of service prevailed; however, the market reaction to new initiatives was sluggish. Traffic was up by almost 2,000 but the ratio of revenues to expenses remained static at .69. One promising item was the success of experiments with a new dine and dance theme for evening trips. This new approach was met with good response from the public.

The Chief Commanda II has now been operated by the Commission for four years and it is now obvious that fundamental changes in the operation will be necessary if it is to ever reach commercial viability. An intensive review of this problem is presently underway.

M. V. Manitou II

For the second year ONTC was responsible for the operation of a barge ferry between Moosonee and Moose Factory Island. Between June and October three return trips per of were carried out and additional charter to were made when necessary. A total of appropriately eight thousand passengers were carrough the main purpose of the barge transportation of goods by vehicle. The require mue — expense ratio of the service improvers a .25 in 1977 to a .43 in 1978.

BUS SERVICES

In 1978 we experienced a full year of contribus Feeder Service to the Northlander betwee Timmins and Kapuskasing, as well as the Clicontract between Kapuskasing and Hearst. addition, a Bus Feeder Service for VIA F commenced October 29, 1978, between Subury and Capreol, however, this service expected to be of short duration.

Revenues from charters, tours, rentals & Bus Parcel Express increased, however, a crease of 9.5% in regular bus service reverwas experienced in 1978 as compared to 19 The total gross revenue for bus services creased by \$103,000 or 3.5% in 1978 as copared to 1977, but increased expenses affect the financial position.

Three new MC8, 47-passenger buses we purchased in late April, which contribut greatly to the availability of equipment for charms and tours as well as upgrading our fle One 1971, 47-passenger bus was lost in Aug due to an accident.

By mid-summer there was evidence that i revenue from regular line service was not si porting the operation to the degree required order to have a viable service. In an attempt reduce losses, in September, our main li service was reduced by one round trip per cobetween North Bay and Timmins. The service tween Timmins and Wawa over Highway 1 was reduced from seven-day service to the days per week, with a four-day service between Timmins and Chapleau only. Further to this, colocal service between Wawa and Sault Simarie was reduced from a six-day service to five-day service.

These reductions in service had a diff bearing on our operating costs and althou they were not enough to offset the 9.5% reductions.

n in regular bus service revenue, they did ntribute in reducing our deficit position in 78.

URIST SERVICES

ar Bear Express

ring 1978 the Polar Bear Express enjoyed a ostantial increase in traffic brought about in t by an advertising program in Southern tario sponsored jointly by the Ministry of rthern Affairs and Ontario Northland.

Passenger revenues increased by twentyht (28) percent over the 1977 season.

The provision of a Hostess by the Ministry of rthern Affairs to each passenger car resulted mproved information and communication to irists.

osonee Lodge

ille the room occupancy ratio at the Lodge nained constant with the previous year, dinroom revenues were increased, which ped to reduce the overall loss on this facility.

nnah Bay Goose Camp

s camp again experienced another good ir, with 126 hunters arriving throughout the ison. The profit realized was reduced due to of our buildings being destroyed by fire and laced at a cost of \$3,200.

RPORATE SERVICES

stems & Planning

e funds acquisition, predesign, detailed den, tendering and contract award phases of North Bay Diesel Shop project were comped, and administration of the construction tract turned over to the Rail Services Engiging group.

Continued negotiations with the Canadian insport Commission resulted in subsidy paynts to the Northlander operation between th Bay and Toronto. Formal CTC Hearings re held concerning the Rail Passenger Servbetween Swastika and Noranda, resulting in ecision to permit discontinuance of the trainer arrangements for a substitute bus service implemented.

Personnel and Labour Relations

National negotiations produced a renewal of collective agreements covering the majority of Ontario Northland's unionized employees for a one-year period to December 31st, 1978. The average increase in basic wages was six percent. Notices were received in October to reopen negotiations for a further period. The major thrust of the new demands was aimed at maintaining pace with the cost of living and the increase is expected to be substantial.

Negotiations also began with the Seafarers' International Union and the Canadian Marine Officers' Union in respect of the dockworkers and the engineers respectively in the Chi-Cheemaun service.

Meetings of senior management with senior union representatives continued to provide forums for the discussion and resolution of problems.

During 1978, first aid and defensive driving courses were held, and various demonstrations were given on the proper use of fire extinguishers. Safety inspections and regular safety meetings also took place. In addition, presentations were made to certain employees, fire and police departments, and municipal government groups concerning the effects of a release of a dangerous commodity in the event of a rail mishap.

The safety footwear subsidy was increased and the eye protection program expanded. A concerted safety effort in the Maintenance of Way, including mandatory use of safety boots, resulted in a notable decrease in injuries. A 24-foot mini-bus was acquired to provide a modern mobile hearing, eye-testing and safety training unit.

Consolidated Balance Sheet

as at December 31, 1978

Assets	1978	1977
	<u> </u>	\$
Current Assets	•	4
Cash	5,276,945	1,043,78
Marketable securities at cost (market value		
\$404,305; 1977 — \$432,195)	485,750	485,75
Accounts receivable (note 2)	9,495,254	10,267,30
Materials and supplies (note 1b)	4,059,603	3,233,11
Prepaid expenses	132,870	181,59
	19,450,422	15,211,54
Deferred Charges and Other Assets — at cost		
Insurance and other funds (approximate		
market value \$251,600; 1977 — \$220,981) (note 1f)	347,631	227,67
Franchises (note 1c)	954,433	954,43
Deposit (note 1g)	20,000	20,00
Investment in Telesat Canada	150,000	150,00
Mortgage receivable — due May 1, 1978	_	1,20
Other		62
	1,472,064	1,353,93
Investment in Property — at cost (schedule 1 and note 1d)	170,846,438	164,420,58
Less accumulated depreciation	56,391,607	52,779,43
	114,454,831	111,641,15
Equipment under capital lease	1,113,138	_
Less accumulated depreciation	333,941	
	779,197	
Under construction	4,854,462	5,524,27
	120,088,490	117,165,42
	141,010,976	133,730,90
Concernation askedular and askedular for a significant		

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

G. E. Carr, Commissioner

R.O. Beatty, Acting General Manager

vilities	1978	1977
	\$	\$
rent Liabilities		
nand loans — Bank — guaranteed by		
Province of Ontario		1,870,000
- Province of Ontario (note 7)	40.000.000	42,500,000
ounts payable and accrued charges	13,899,652	9,965,218
	13,899,652	54,335,218
erves		
rance and other funds	347,631	227,671
g Term Debt		
25% serial debenture due 2003 (note 7)	37,500,000	20.007.00
n from Province of Ontario, non-interest bearing (note 7)	35,207,935	30,207,935
penture (note 6)	2,312,500 960,542	1,103,000
igation under capital lease (note 5)	960,542	
	75,980,977	31,310,935
atributed surplus	10,825,545	10,864,173
ained income	39,957,171	36,992,904
	50,782,716	47,857,07

JDITOR'S REPORT

the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 78, and the consolidated statements of income, retained income, contributed surplus and changes in financial position for year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly sluded such tests and other procedures as I considered necessary in the circumstances.

n my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with nerally accepted accounting principles applied on a basis consistent with that of the preceding year.

ronto, Ontario, irch 22, 1979. F. N. Scott, F.C.A., Provincial Auditor.

141,010,976 133,730,901

Consolidated Statement of Income

	1978	1977
	\$	\$
Rail Services		
Revenue	32,238,813	31,467,5
Expenditures	38,114,923	34,866,3
Net loss from operations	(5,876,110)	(3,398,8
Telecommunications		
Revenue	15,982,378	14,387,7
Expenditures	10,757,106	9,747,8
Net income from operations	5,225,272	4,639,9
Bus Services		
Revenue	0.040.000	
Expenditures	2,610,908 2,643,636	2,687,2
		2,613,2
Net income (loss) from operations	(32,728)	74,0
Marine Services (North Bay)		
Revenue	258,964	242,69
Expenditures	381,595	351,70
Net loss from operations	(122,631)	(109,0°
Marine Services (Owen Sound)		
Revenue	2,609,266	2,311,4
Expenditures	2,300,588	2,207,50
Net income from operations	308,678	103,90
Marine Services (Moosonee)		
Revenue	35,157	20,36
Expenditures	81,079	78,49
Net loss from operations	(45,922)	(58,12
-		
Tourist Facilities—Moosonee and Hannah Bay		
Revenue	322,924	300,29
	365,996	344,13
Net loss from operations	(43,072)	(43,83
Temagami Water		
Revenue	4,730	3,28
Expenditures	23,123	7,97
Net loss from operations	(18,393)	(4,69
Air Services (nor Ontair)		
Revenue	2,709,463	2.296,69
Expenditures	3,490,840	3,594,77
Net loss from operations		
	(781,377)	(1,298,081

	1978	1977
	5	\$
sport Services		
enueenditures	7,283,731 8,466,138	7,887,552 8,105,743
		0,105,745
Net loss from operations before extraordinary item	(1,182,407)	(218,191)
note North — Power		
enue	108,407	65,973
enditures	94,207	105,811
Net income (loss) from operations	14,200	(39,838)
note North — Communications		
enue	9,700	8,119
enditures	238,227	276,322
Net loss from operations	(228,527)	(268,203)
Il revenue from operations	64,825,256	61,678,964
al expenditures for operations	66,957,458	62,299,910
s before other charges and extraordinary item	(2,783,017)	(620,946)
er Charges		
rest on demand loans	3,382,525	3,548,689
unded liabilities and supplementary enefits payments (note 3)	4,078,760	4,159,116
Total other charges	7,461,285	7,707,805
loss before Government subsidies and extraordinary item	(10,244,302)	(8,328,751)
ernment subsidies (schedule 2)	12,557,754	10,937,184
ncome for the year before extraordinary item	2,313,452	2,608,433
on sale of Star Transfer Limited, pronto Terminal	650,815	
Income for the year	2,964,267	2,608,433

Ontario Northland Transportation Commission

Consolidated Statement of Retained Income

	1978	1977
	5	\$
Balance, beginning of year	36,992,904	34,384,
Add: net income for the year	2,964,267	2,608,
Balance, end of year	39,957,171	36,992,

nsolidated Statement of Contributed Surplus

ne year ended December 31, 1978

	1978	1977
	5	\$
nce, beginning of year	10,864,173	8,757,776
: reimbursement of capital expenditures by Province of Ontario		
-norOntair aircraft and associated equipment	730,000	2,580,107
barges		273,710
-capital expenditures of The Owen Sound Transportation Com-		
pany, Limited	Name .	137,550
	11,594,173	11,749,143
	700.000	007.400
s: depreciation charges for the year	768,628	697,488
retirement of norOntair aircraft		187,482
	768,628	884,970
ince, end of year	10,825,545	10,864,173

Consolidated Statement of Changes in Financial Position

	1978	1977
Source of working capital:	\$	\$
Net income for the year before extraordinary item	2,313,452	2,608,
Add items not requiring an outlay of working capital —depreciation expense	4 504 450	4.004
-other items (net)	4,591,159 1,830	4,304,8 18,8
Working capital provided from operations	6,906,441	6,932,
Proceeds on disposal of property	2,029,911	104,
Proceeds of debenture (note 6) Demand loan from Province of Ontario (note 7)	1,209,500	1,103,
—converted to debentures	37,500,000	-
—converted to non-interest bearing loan	5,000,000	-
Obligation under capital lease (note 5) Reimbursement of capital expenditures by Province of Ontario re:	960,542	-
Commission	730,000	2 052 (
The Owen Sound Transportation Company, Limited	750,000	2,853,8 137,8
	54,336,394	11,130,9
Use of working capital:		
Addition to investment in property	8,548,810	11,365,7
Addition to investment in leased property	1,113,138	11,303,7
	9,661,948	11,365,7
Increase (decrease) in working capital	44,674,446	(234,7
Working capital (deficiency), beginning of year	(39,123,676)	(38,888,9
Working capital (deficiency), end of year	5,550,770	(39,123,€
Changes in Working Capital Current assets — increase (decrease)		
Cash	4,233,159	(83,2
Accounts receivable	(772,047)	1,820,3
Materials and supplies Prepaid expenses	826,492 (48,724)	91,2
	4,238,880	91,3
	4,230,880	1,919,7
Current liabilities — decrease (increase)		
Demand loans — Bank	1,870,000	(737,0
Demand loans — Province of Ontario	42,500,000	/1 /17 /
- Jacob and about doo on anges	(3,934,434)	(1,417,4
Industrial Control of the Control of	40,435,566	(2,154,4
Increase (decrease) in working capital	44,674,446	(234,7

nedule of Investment in Property

December 31, 1978

Schedule 1

	1978	1977
	S	\$
- Roadway	74,310,844	73,725,440
- Buildings	11,794,176	11,525,620
- Equipment	26,528,646	27,326,297
communications	32,667,897	29,460,158
s	1,894,254	1,645,437
	927,413	927,413
Is	336,186	336,186
er services	_	30,806
Ontair aircraft	5,126,359	4,396,359
ote North power and communications	210,889	292,991
Transfer Limited — vehicles	4,702,031	3,768,002
- other	5,077,315	2,602,312
Owen Sound Transportation Company, Limited		
-vessel	8,269,820	8,269,820
- other	113,746	113,746
is investment in property	171,959,576	164,420,587
accumulated depreciation	56,725,548	52,779,436
nvestment in property	115,234,028	111,641,151
er construction	4,854,462	5,524,274
	120,088,490	117,165,425

Schedule of Government Subsidies

for the year ended December 31, 1978

Schedule

	1978	1977
	5	\$
From Province of Ontario		
Cochrane – Moosonee branch line	3,528,996	2,640,0
Main line passenger train	3,291,504	2,190,5
Northlander	3,610,630	3,789,8
Remote North communications	214,327	308,0
Air services — norOntair	801,024	1,365,4
Moosonee ferry	45,922	58,1
	11,492,403	10,351,9
Less — The Owen Sound Transportation		
Company, Limited profits	308,001	91,3
Total Provincial subsidies	11,184,402	10,260,6
From Government of Canada (note 1h)		
Rail passenger — 1976 and prior	_	318,9
— 1977	56,552	357,5
— 1978	454,382	_
Northlander - 1977	862,418	-
Total Federal subsidies	1,373,352	676,5

otes to Consolidated Financial Statements

cember 31, 1978

Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Franchises

Franchises consist of the following:

Transmission in terror may	1978	1977
	\$	\$
Bus and truck franchises	485,439	485,439
Excess of cost of investment in subsidiaries		
over the book value of the underlying net assets at dates of acquisition	468,994	468,994
	954,433	954,433

In the opinion of management there is no indication of a decline in value of the above items and accordingly they are not being amortized.

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of the Commission's office furniture and equipment, which is charged to operations in the year of purchase. With the exception of highway equipment, depreciation is primarily provided on a straight-line basis based upon the estimated service lives of depreciable property. Highway equipment is depreciated on the diminishing balance basis based upon the estimated service life of the equipment. Except for uncompleted projects, for which no depreciation is provided, depreciation generally is based on asset balances at the beginning of the year.

For railway and telecommunication properties, the rates used are as authorized by the Canadian Transport Commission

The estimated service lives used for principal categories of assets are as follows:

Road — main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
'Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications, were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively, during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Company, Limited, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission and its wholly-owned subsidiary, Star Transfer Limited, follow the policy of self-insuring for damage from train derailments and motor vehicle collisions respectively.

(g) Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of \$20,000 is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

(h) Federal subsidies

Federal Government subsidies are accounted for on the cash basis.

Accounts Receivable

Counts receivable include subsidies receivable from the Province of Ontario amounting to \$85,944 (1977—\$2,226,026).

3. Contributory Pension Fund

Based on the December 31, 1978 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$49,681,762. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$30,238,655 represents the balance of unfunded liabilities revealed subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under The Pension Benefits Act. These payments have the effect of:

- -preventing an increase in the initial unfunded liability;
- -liquidating the balance of the unfunded liabilities over a period ending December 31, 1993.

Payments in respect of the 1978 actuarial review are scheduled to commence in 1979. Payments recorded in 1978 and 1977 were based upon the 1975 actuarial review except that in 1978, the amount paid was \$447,701 in excess of the amount specified in the actuarial review.

4. Anti-Inflation Legislation

The Commission and its wholly-owned subsidiaries were subject to controls on prices, profits and compensation instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. This legislation terminated December 31, 1978.

5. Lease Commitment

Under the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease four Trans Europ Express-1 diesel-electric trainsets and major exchange spare components from the Urban Transportation Development Corporation Ltd. (UTDC). The agreement provides for a net, net lease between the Commission and UTDC for a term of sixty-three months commencing May 4, 1977. Rent paid during the current year was \$1,000,000 with the balance payable by the Commission, in advance, in six semi-annual payments of \$500,000 each.

The Commission's subsidiary, Star Transfer Limited, entered into a capital lease agreement for 50 trailers effective January 1 1978 for 85 months to January 31, 1985 at a capital cost per unit of \$22,000 requiring aggregate payments of \$231,000 annually.

6. Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semiannual instalments of \$62,500 payable through December 30, 1982 and a final instalment of \$1,937,500 payable December 30, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semiannually.

7. Capital Restructuring

The Province of Ontario has made certain recommendations respecting the capital restructuring of the Ontario Northland Transportation Commission. Such recommendations are contained in a Memorandum of Understanding between the Ministry of Northern Affairs and the Commission, and although unsigned, became effective January 5, 1978 subject to approval by order in council. Pursuant to these recommendations, \$5,000,000 of demand loans from the Province were converted to non-interest bearing loans and proceeds from a 25-year 9.325 per cent serial debenture for \$37,500,000, held by the Treasurer of Ontario retired the balance of demand loans and provided for additional capital commitments as required. Terms of the debenture provide for only interest payments to 1983 after which both principal and interest payments will commence. The Commissionis authorized to borrow up to \$1,000,000 from chartered banks for working capital requirements provided such loans are no guaranteed by the Province of Ontario.

Certain services are to be designated as non commercial operations and are to receive full subsidy, including an allowance to a return on any assets employed. Pending resolution of these matters the signing of the agreement and request for order in council approval have been delayed.

8. Comparative Figures

In 1977 and prior, the Contributory Pension Fund was included in the financial statements of the Commission as a Scheduleo Transactions and Fund Balance. In 1978 a Statement of Transactions and Fund Balance has been prepared and reported or separately.









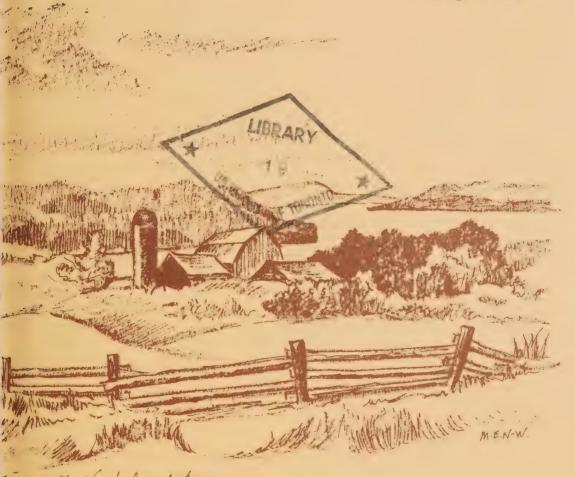


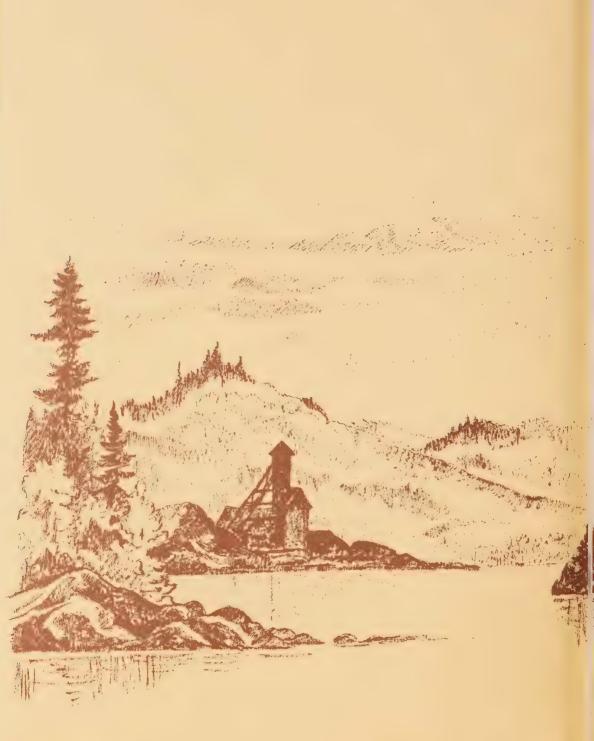




Ontario Northland TRANSPORTATION COMMISSION

Annual Report 1979





Mine near Cobalt

M.EN-W.

PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Premier
Honourable Leo Bernier, Minister
Ministry of Northern Affairs



79th
ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION
for the year ending
December 31, 1979



MINISTRY OF NORTHERN AFFAIRS

The Honourable Pauline M. McGibbon, O.C., B.A., L.L.D., D.U. (Ott), Lieutenant-Governor of the Province of Ontario.

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 79th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1979.

Respectfully submitted,

Leo Bernier, Minister.

June 2, 1980

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1979 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W.J. Mathews, Chairman.

May 26, 1980

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

W. J. Mathews, Chairman, Cobalt

I. W. Hollingsworth, Commissioner, Sault Ste. Marie

G. E. Carr, Commissioner, North Bay

P. A. Burns, Commissioner, Dryden

J. W. Spooner, Commissioner, Timmins

R.L. Piché, Commissioner, Kapuskasing

PRINCIPAL OFFICERS

R. O. Beatty, General Manager

W.H. Hohn, Assistant General Manager

D.E. MacDougall, Comptroller and Senior Financial Officer

K.J. Moorehead, Senior Operating Officer - Rail

P.A. Dyment, Senior Director, Telecommunications, Marketing and Administration

K.J. Wallace, Senior Director, Passenger Services and Planning

L.K. Smiley, Senior Director, Special Projects

M.C. Hicks, Senior Director, Freight Marketing

r, W.J. Mathews nairman North Bay, Ontario May 15, 1980

e following report of Ontario Northland Transportation Commission operations which ded December 31, 1979, is respectfully submitted:

nsolidated Net Income

	1979	1978	(Decrease)
	\$	\$	\$
il	7,565,546	5,928,372	1,637,174
ecommunications	4,488,608	5,225,272	(736,664)
S	125,297	(32,728)	158,025
ke Nipissing Marine	(74,303)	(122,631)	48,328
tel and Camp	(117,069)	(43,072)	(73,997)
magami Water	_	(18,393)	18,393
ansport (Star Transfer)	(600,211)	(531,592)	(68,619)
rOntair		_	
ven Sound Marine	_	_	
mote North Projects		_	
osonee Ferry Service			
t Income before Interest on Debt and			
Unfunded Liabilities on Pension Fund	11,387,868	10,405,228	982,640
t Interest on Debt and Pension Fund	7,694,195	7,440,961	(253,234)
t Income for the Year	3,693,673	2,964,267	729,406

e above figures include subsidies received from the Province of Ontario and the overnment of Canada and which are detailed in Schedule 2.

eneral

The Commission's operations for the year 1979 sulted in a net income of \$3,693,673, compared to 2,964,267 in 1978.

During the year it was necessary to make an adstment which reduced the Telecommunications epartment revenues by \$1,108,000. This adjustment sulted from the recalculation of the interline toll venues for the years 1975 through 1977. Offsetting is was a gain on the sale of scrap materials and rolus freight cars which netted \$1,401,000.

A reorganization of the Commission's senior anagement staff in 1979 streamlined the operation d improved its overall effectiveness.

The level of rail activity continued at apoximately the same pace as in previous years, and a Telecommunications branch again enjoyed the bowth experienced in the past. The trucking arm of a Commission, Star Transfer Limited, continued to counter financial difficulties, however, the net ancial position was improved over 1978.

Growing concern for the proper handling of ingerous commodities by rail prompted the stablishment of a special safety program several ears ago. This program was monitored closely during and will be enlarged upon in the future.

As a result of the developing shortage of fossil fuels and the need to offset rapidly rising energy costs, a senior official was appointed to implement an energy conservation program aimed at the reduction in the consumption of diesel fuel, electricity and other forms of energy.

Capital spending during the year amounted to \$10,500,000, of which \$6,600,000 was provided by the Commission and \$3,900,000 by the Province of Ontario. Of the Province's contribution, \$3,000,000 was applied to the Moosonee-Attawapiskat microwave system which was transferred to ONTC in 1979, \$650,000 as a 50% contribution to the North Bay locomotive shop extension, and the balance towards the acquisition of a new aircraft for norOntair. The capital expenditures financed by the Commission were distributed as follows: \$2,900,000 was for the Telecommunications branch, \$2,600,000 for roadway improvements, and \$1,100,000 for other railway facilities.

A more detailed review of the Commission's operations is contained in the report which follows.

R.O. Beatty General Manager

REVIEW OF OPERATIONS

RAIL SERVICES

Transportation

The consolidation of certain freight trains during 1979 reduced costs considerably and improved operating efficiencies by maximizing the tonnage per train and optimally utilizing our locomotive fleet.

Due to extremely low ridership, the federal government granted permission to discontinue the passenger train service between Swastika and Rouyn-Noranda, Quebec in October of 1979. As a result, this train ceased to operate after more than 50 years of daily service to Northwestern Quebec. This corridor continues to be served by bus operated by Voyageur Inc.

The on-line computer system which was installed by the Car Service group reduced to a minimum the manual involvement in car service accounting and substantially increased the amount of information available with respect to railway car utilization.

Mechanical

A \$1.3 million extension to our North Bay Diesel Shop facilities was completed in May 1979, making it possible for the European-style passenger train (the Northlander) to be completely housed within the shop. This addition significantly improved our capability to service the Northlander equipment as well as other diesel locomotives. During construction of the extension, the opportunity was taken to replace the light fixtures in the existing shop with energy-efficient, high-pressure sodium fixtures in line with the energy conservation program.

In January 1979, a program was begun to change out the European locomotive power units on the Northlander equipment to the conventional North American to One of the four power units was replayed the end of 1979, and it is anticipated that the other three units will be completely mid 1980. The cost of this changewill be financed entirely by the Proving Government.

By mid 1979, our fleet of 100 gon cars had been rebuilt and returned service, completing a program which been initiated in late 1978.

In order to take advantage of opera efficiencies, a railway cabo replacement program was begun in 1 with the acquisition of eight new cabo shells. Three new cabooses were place service during 1979, and work was stantially completed on the remaining These cabooses are comparable to latest models presently being used by major carriers.

The program of remanufacturing locomotives continued during 1979 resulted in two more units being return to service. It is estimated that the modifications will extend the life of units by 15 years.

A new axle lathe was installed in North Bay wheel house at a cost \$300,000, replacing an older style lawhich had been in operation for proximately 40 years.

A major replacement of defective tr bolsters on rail cars used in the Temaga and Dane ore service was also carried during the year.

Facilities Maintenance

Considerable thrust was directed tow the maintenance and upgrading of right-of-way and associated structures.

The Maintenance of Way forces instal 8.2 miles of continuous welded rail, thering a program which had been star a number of years ago. In addition.

es of jointed rail and 35,000 new ties re installed.

A Maintenance of Way training program all track maintenance personnel, which documenced in May of 1978, was impleted early in 1979. The purpose of sprogram is to ensure that our forces fully familiar with and capable of inding any and all maintenance and ergent problems within their operating ope.

RKETING

Carload freight revenues were 7.5% rater than in 1978. Tonnage, however, clined by approximately 6.3%, due inly to a reduction in the volume of iron a shipments from the mines at magami and Dane. In addition, zinc neentrate shipments were significantly wer because an increasing amount of neentrates are being converted to zinc that at the Texasgulf operation in Timns.

ron ore continues to be the largest ume product, accounting for 24,000 of 67,000 carloads handled during 1979. An increase was enjoyed in the volume copper concentrates and metal handled. hough shipments of lumber were downing the year, newsprint and wood pulp pments continued at a very high level.

Of significance in the northbound ovement was a notable increase in fuel and gasoline products. This was due in the a shift in the product distribution tern of some of the petroleum ineries, caused by an industry shortage light bunker fuel.

LECOMMUNICATIONS

During 1979, "pro rate" studies for the ars 1975 through 1977 were completed. ese studies resulted in a \$1,108,000 crease in the toll revenues earned by the lecommunications branch.

Regular long distance traffic and related gross revenue for the department increased by 10% over the previous year, as did revenues for private circuit leases. The market for data services connecting Northeastern Ontario branch offices to head office computers in Southern Ontario continued to grow at a faster pace than did other services offered by the department.

During 1979, the last phase of the customer direct distance dialing project was completed with the installation of computer-controlled operator switchboards, Cochrane being the primary switchboard location. This contemporary equipment will greatly improve service to long distance customers, in addition to assisting the Telecommunications operation to maintain its expected cost projections for the future.

In order to continue to make long distance circuitry more contemporary and cost-efficient and to allow for volume expansion, work was begun in 1979 on route replacement programs to Latchford, Matheson, Temagami, Larder Lake and Virginiatown.

EXPRESS SERVICES

Express Services revenues increased by 1.3%, while the number of shipments handled increased by 8% over the preceding year. Operating costs increased by 10%, resulting in a net loss of \$225,000 for the year, a considerable slippage from 1978.

Highway operating authority was received to operate from Kirkland Lake to Noranda, and traffic previously handled by rail between those two points now moves by highway transport. This innovation resulted in a service improvement of some 24 hours. All express traffic, except that between Cochrane and Moosonee, is now handled by highway transport.

In late 1979, the Express Terminal at Rouyn was closed and Express activities were consolidated at the Noranda Station, effecting personnel and service economies.

Various steps were taken with respect to the operating practices and procedures of the Express Services Department to improve financial performance.

AIR & MARINE SERVICES

norOntair

The airline experienced a growth of approximately 11%, carrying a total of 111,000 passengers, and the revenue-to-cost ratio of norOntair improved by approximately 3% during the year.

In mid 1979, the communities of Geraldton, Terrace Bay and Hornepayne were added to the service, bringing to twenty the total number of communities served.

Overall operational performance was affected during the year, due in part to inclement weather and federal labour disputes with flight service station attendants during the fourth quarter. Less than one-third of one percent of the airline's more than 22,000 scheduled departures were delayed due to maintenance problems, reflecting the efficiency of our maintenance program.

The Owen Sound Transportation Company, Limited

The M.S. Chi-Cheemaun vehicle traffic was up 6% and passenger traffic realized a 7% growth. Walk-on return-trip tours aboard the Chi-Cheemaun are becoming an increasingly important feature of the tourist economy of the Manitoulin Island and the Bruce Peninsula district.

Although the overall result satisfactory, congestion continued duthe peak mid-July to mid-August period back-logged traffic occurred during cetimes of the day. Studies are preseunder way to identify ways and mean alleviating the congestion by increathe carrying capacity of the Cheemaun.

Chief Commanda II

The year was a disappointing of financially, for the Chief Commanda High water in the spring and poor Aug sailing weather combined to product sub-par performance in terms of riders however, stringent cost economies we initiated, resulting in an improvement of the season.

A rigorous examination of this opera must continue if the Chief's future is to secured. It is contemplated that reducing the length of the sailing sea and emphasizing promotional efformance will be improved 1980.

PASSENGER SERVICES, TOURK AND PUBLIC AFFAIRS

In February of 1979, the Passen Services and Public Relations Dep ments were consolidated to cre Passenger Services, Tourism and Public Affairs. This department is responsible passenger services, including Moosonee Excursion, bus, touri development, and the various aspects promotion and public relations.

The amalgamation contribut significantly to the success of Moosonee Excursion through improve coordination of promotion and operation. The patronage of the Polar Bear Expresincreased by 25% over the 1978 season. This improvement can be attributed to the significant of the patronage.

ntinuing advertising program in Southern tario sponsored jointly by the Ministry of orthern Affairs and Ontario Northland.

s Operations

The bus operation's net financial sition improved over 1978; however, the all passenger carryings were reduced by proximately 2,000. Measures taken in a 1978 resulted in a decrease in erating costs during 1979, which attributed to the improved financial sition.

urist Operations

During 1979, the Moosonee Lodge, ich had been operated by the Comsion for approximately 40 years, was do to the operator of another hotel facility Moosonee.

The goose camp at Hannah Bay was erated as usual in 1979 and, during its ren-week season, handled 133 hunters.

The net loss incurred by Star Transfer

AR TRANSFER LIMITED

nited was \$705,000 for the year, mpared to \$1,316,000 the previous year. e revenues generated amounted to ,757,000, or \$78,000 less than in 1978. Although truckload tonnage decreased nificantly, primarily because more rriers are operating in Northeastern tario than has been the case in the past, oss revenues remained approximately same as in previous years, largely as a sult of a successful less-than-truckload es effort and operating cost efficiencies. An intensive cost-reduction program, to ep expenses more in line with volumes ndled, was undertaken during the year, sulting in an operating performance ich was substantially better than in 78.

Unless a significant improvement in Star ansfer's revenues can be realized in 80, the company will be hard-pressed to

generate funds for refurbishing its rapidly deteriorating highway fleet, and maintain sustained financial improvement.

PERSONNEL AND LABOUR RELATIONS

Collective agreements covering the majority of Ontario Northland's unionized employees were renewed for the three-year period January 1, 1979, to December 31, 1981. In addition to basic rate increases, a cost-of-living clause provided for lump sum payments in 1979 and 1980. These COLA adjustments will be included in the basic wage rates beginning in 1981.

Negotiations between the Owen Sound Transportation Company and the Seafarers International Union and Canadian Officers Union resulted in collective agreements with a new expiry date of December 31,

Labour/Management Consultation Committee meetings within the various departments, along with meetings between the senior officers of the company and the members of the General Chairmen's Association, again proved very useful during the year for the discussion of matters of mutual interest.

The year showed a slight decrease in system personnel lost time injuries, and the Accident Review Committee held regular meetings, placing emphasis on plant inspection and line supervisor interviews.

For several years, the Ontario Northland has had in effect a safety program emphasizing the handling of dangerous commodities by rail. During 1979, this program was broadened, and it is planned to continue progress in this area, employing the most up-to-date methods and techniques available for the protection of our employees and the communities served.

Consolidated Balance Sheet

as at December 31, 1979

Assets	1979	19
Current Assets	\$	1 \$
Cash and short term investments	8,987,863	5,276
and market	352,700	485
Accounts receivable (note 2)	9,912,605	9.495
Materials and supplies (note 1b)	3,328,957	4,059
Prepaid expenses	109,347	132
	22,691,472	19,450
Deferred Charges and Other Assets - at cost		
Insurance and other funds (approximate market value \$348,300; 1978 - \$251,600)		
(note 1f)	381,584	347
Franchises (note 1c)	954,433	954
Deposit (note 1g).	20,000	20
Investment in Telesat Canada	150,000	150
	1,506,017	1,472
nvestment in Property — at cost (schedule 1		
and note 1d)	181,791,092	170,846
Less accumulated depreciation	60,134,440	56,391
	121,656,652	114,454,
Equipment under capital lease	1,016,377	1,113,
Less accumulated depreciation	515,296	333,
	501,081	779,
Under construction	1,720,714	4,854,
	123,878,447	120,088,
	148,075,936	141,010.

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

G.E. Carr, Commissioner

R.O. Beatty, General Manager

bilities	1979	1978
	\$	\$
rrent Liabilities		,
Accounts payable and accrued charges	14,629,231	13,899,652
serves		
nsurance and other funds	381,584	347,631
ng Term Debt		
9.325% serial debenture due 2003 (note 6)	37,500,000	37,500,000
oan from Province of Ontario,		
non-interest bearing (note 6)	35,207,935	35,207,935
Debenture (note 5)	2,187,500	2,312,500
Obligation under capital lease (note 4)	771,486	960,542
	75,666,921	75,980,977
vernment of Ontario Equity		
Contributed surplus	13,747,356	10,825,545
Retained income	43,650,844	39,957,171
	_57,398,200	50,782,716
	148,075,936	141,010,976

JDITOR'S REPORT

the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at ecember 31, 1979 and the consolidated statements of income, retained income, contributed surplus and anges in financial position for the year then ended. My examination was made in accordance with generally cepted auditing standards, and accordingly included such tests and other procedures as I considered cessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission at December 31, 1979 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles applied on a basis consistent with that the preceding year.

A report on the audit, completed in accordance with section 39 of The Ontario Northland Transportation mmission Act, has been made to the Commission and to the Minister of Northern Affairs.

ronto, Ontario, ril 3, 1980. F.N. Scott, F.C.A., Provincial Auditor.

Consolidated Statement of Income

	1979	197
	\$	\$
Rail Services	04.055.000	00 000 0
Revenue Expenditures	34,655,968 40,392,191	32,238,8 38,114,9
Net loss from operations	(5,736,223)	(5,876,
Telecommunications (note 1i)	40,400,040	15.000
Revenue Expenditures	16,498,316 12,009,708	15,982, 10,757,
Net income from operations	4,488,608	5,225,
Bus Services		
Revenue	2,744,436 2,619,139	2,610,9 2,643,
Net income (loss) from operations	125,297	(32,7
Marine Services (North Bay)		
Revenue	193,544 267,847	258,9 381,5
Net loss from operations	(74,303)	(122,6
Marine Services (Owen Sound)		
Revenue	2,933,561 2,570,428	2,609,2 2,300,5
Net income from operations	363,133	308,6
Marine Services (Moosonee)	40.040	05.4
Revenue Expenditures.	49,319 111,178	35,1 81,0
Net loss from operations	(61,859)	(45,9
Tourist Facilities - Moosonee and Hannah Bay	00.504	000.5
Revenue	89,521 206,590	322,9 365,9
Net loss from operations	(117,069)	(43,0
Temagami Water		
Revenue		4,7 23,1
Net loss from operations	Angellonia.	(18,3
Air Services (norOntair)		
Revenue	3,257,637 4,026,499	2,709,4 3,490,8
Net loss from operations	(768,862)	(781,3
Transport Services		
Revenue	7,164,990 7,632,151	7,283,7 8,466,
Net loss from operations before extraordinary item	(467,161)	(1,182,4

	1979	1978
mote North - power	\$	\$
Revenue	79,069 182,880	108,407 94,207
Net income (loss) from operations	(103,811)	14,200
mote North - communications		
Revenue	.9,932 231,621	9,700 238,227
Net loss from operations	(221,689)	(228,527)
al revenue from operations	67,676,293 70,250,232	64,174,441 66,957,458
s before other charges and extraordinary item	(2,573,939)	(2,783,017)
ner Charges		
nterest on debenture (note 8)	3,497,651 (575,332)	3,483,581 (101,056)
benefits payments (note 3)	4,801,488	4,078,760
Total other charges	7,723,807	7,461,285
loss before Government subsidies and extraordinary item	(10,297,746)	(10,244,302)
ernment subsidies (schedule 2)	14,124,469	12,557,754
income for the year before extraordinary item	3,826,723	2,313,452
uction of marketable securities to market value	(133,050)	_
on sale of Star Transfer Limited, Toronto Terminal		650,815
ncome for the year	3,693,673	2,964,267

accompanying schedules and notes to financial statements.

Consolidated Statement of Retained Income

	1979	1978
	\$	\$
	39,957,171	36,992,90
Balance, beginning of year	3,693,673	2,964,26
Add net income for the year	43,650,844	39,957,17
Balance, end of year	40,000,0	

onsolidated Statement of Contributed Surplus

		1979	1978
		\$	\$
ilani	ce, beginning of year	10,825,545	10,864,173
dd:	reimbursement of capital expenditures by Province of Ontario		
	Moosonee-Attawapiskat microwave system	3,029,596 650,000 224,018	730,000
		14,729,159	11,594,173
ss:	depreciation charges for the year retirement of norOntair aircraft engine	908,182 73,621	768.628
		981,803	768,628
lanc	e, end of year	13,747,356	10.825.545

Consolidated Statement of Changes in Financial Position

	1979	1978
	\$	\$
Source of working capital		
Net income for the year before extraordinary item	3,826,723	2,313,4
Add items not requiring an outlay of working capital — depreciation expense. — other items (net)	3,485,395 —	4,591,1 1,8
Working capital provided from operations Proceeds on disposal of property Proceeds of debenture (note 5) Demand loan from Province of Ontario (note 6)	7,312,118 2,268,247 —	6,906,4 2,029,9 1,209,5
— converted to debentures		37,500,0 5,000,0 960,0
Reimbursement of capital expenditures by Province of Ontario	3,903,614	730
Province of Official Control C	13,483,979	54,336,3
and the constant		
Use of working capital Addition to investment in property Addition to investment in leased property. Reduction of debenture Reduction of obligation under capital lease Reduction of marketable securities to market value.	10,510,578 14,824 125,000 189,056 133,050	8,548, 1,113, -
Reduction of marketable securities to market value.	10,972,508	9,661
Increase in working capital	2,511,471 5,550,770	44,674,
Working capital, end of year	8,062,241	5,550
CHANGES IN WORKING CAPITAL		
Current assets · increase (decrease)		4.000
Cash Marketable securities Accounts receivable Materials and supplies Prepaid expenses	3,710,918 (133,050) 417,351 (730,646) (23,523)	4,233 (772 826 (48
Tropala engeneral transfer	3,241,050	4,238
Current liabilities - decrease (increase)		
Demand loans - bank	_	1,870 42,500
Demand loans - Province of Ontario	(729,579)	(3,934
Accounts payable and accrued charges	(729,579)	40,435
	2,511,471	44,67
Increase in working capital	2,011,471	- 17,01

chedule of Investment in Property

at December 31, 1979

Schedule 1

	1979	1978
	\$	\$
il — Roadway	77,323,465	74,310,844
— Buildings	13,640,984	11,794,176
— Equipment	25,940,203	26,528,646
ecommunications	39,873,918	32.667.897
ses	1,826,777	1,894,254
at	927,413	927,413
tels		336,186
Ontair aircraft	5,034,330	5,126,359
mote North power and communications	210,889	210,889
r Transfer Limited — vehicles	4,560,534	4,702,031
— other	5,067,430	5,077,315
Owen Sound Transportation Company, Limited		
— vessel	8,269,820	8,269,820
— other	131,706	113,746
pss investment in property	182,807,469	171,959,576
ss accumulated depreciation	60,649,736	56,725,548
t investment in property		
der construction	122,157,733	115,234,028
act construction	1,720,714	4,854,462
	123,878,447	120,088,490

Schedule

Schedule of Government Subsidies

for the year ended December 31, 1979

1979 \$	1978
\$	
	\$
3.820.000	3,528,99
	3,291,50
	3,610,6
739,291	_
325,500	214,3
792,150	801,0
61,859	45,9
23,000	_
11,723,880	11,492,4
356,809	308,0
11,367,071	11,184,4
	56,5
373,764	454,3
447 007	862,4
859,532	-
1,396,951	
0.407.000	1,373,
. 3,407,330	1,070,
14,774,469	12,557,
650,000	
4 4 4 0 4 4 0 0	12,557,
	3,820,000 3,590,000 2,372,080 739,291 325,500 792,150 61,859 23,000 11,723,880 356,809 11,367,071 659,314 373,764 117,837 859,532 1,396,951 3,407,398 14,774,469

Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

) Franchises

Franchises consist of the following:

ranomises consist of the following.		
	1979	1978
Bus and truck franchises	\$ 485,439	\$ 485,439
of the underlying net assets at dates of acquisition	468,994 954,433	468,994 954,433

In the opinion of management there is no indication of a decline in value of the above items and accordingly they are not being amortized.

Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of the Commission's office furniture and equipment, which is charged to operations in the year of purchase. With the exception of highway equipment, depreciation is primarily provided on a straight-line basis based upon the estimated service lives of depreciable property. Highway equipment is depreciated at thirty percent on the diminishing balance basis based upon the estimated service life of the equipment. Except for uncompleted projects, for which no depreciation is provided, depreciation generally is based on asset balances at the beginning of the year.

For railway and telecommunication properties, the rates used are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively, during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Company, Limited, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

Self-insurance

The Commission and its wholly-owned subsidiary, Star Transfer Limited, follow the policy of self-insuring for damage from train derailments and motor vehicle collisions respectively.

(g) Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of \$20,000 is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

(h) Federal subsidies

Federal Government subsidies are accounted for on the cash basis.

Telecommunications revenue

During 1979 the company paid \$1,107,942 to a connecting telephone company for toll adjustments for the years 1975, 1976 and 1977 based on a prorate study. Such adjustments are accounted for on

2. Accounts Receivable

Accounts receivable include subsidies receivable from the Province of Ontario amounting to \$143,753 (19) - \$85,944).

3. Contributory Pension Fund

Based on the December 31, 1978 actuarial review, the unfunded liability of the Commission and its who owned subsidiaries under the Commission's Contributory Pension Fund totals \$49,681,762. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$30,238,6 represents the balance of unfunded liabilities revealed subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal into the fund in cordance with the Regulations under The Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liabilities over a period ending December 31, 1993.

Payments in respect of the 1978 actuarial review commenced in 1979. Payments recorded in 1978 w based upon the 1975 actuarial review except that the amount paid was \$447,701 in excess of the amo specified in the actuarial review.

4. Lease Commitments

Under the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease f Trans Europ Express-1 diesel-electric trainsets and major exchange spare components from the Ur Transportation Development Corporation Limited (UTDC). The agreement provides for a net, net le between the Commission and UTDC for a term of sixty-three months commencing May 4, 1977. Rent (during the current year was \$1,000,000 with the balance payable by the Commission, in advance, in semi-annual payments of \$500,000 each.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing \$1,113,138 under a two month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 19 Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with days prior notice, terminate the lease at any renewal date. The subsidiary returned five of these tra during the year to be sublet. At December 31, 1979 the Company has a contingent obligation of \$96,05 the five trailers that could be returned to the Company at any time. Until the subsidiary exercises its option terminate the lease agreement, the terms require aggregate payments of \$207,900 in each of the rema years for the 45 trailers still in its possession. For 1979 \$135,062 was recorded as interest on capital leading to the 45 trailers still in its possession. and the \$72,838 balance was recorded as a reduction of the obligation under capital lease, for the 45 tra remaining.

otes to Consolidated Financial Statements

Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semi-annual instalments of \$62,500 payable through December 30, 1982, and a final instalment of \$1,937,500 payable December 30, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semi-annually.

Capital Restructuring

The Province of Ontario has made certain decisions respecting the capital restructuring of the Ontario Northland Transportation Commission. Pursuant to these decisions, \$5,000,000 of demand loans from the Province were converted to non-interest bearing loans and proceeds from a 25 year 9.325 per cent serial debenture for \$37,500,000 held by the Treasurer of Ontario, retired the balance of demand loans and provided for additional capital commitments as required. Terms of the debenture provide for only interest payments to 1983 after which both principal and interest payments will commence. The Commission is authorized to borrow up to \$1,000,000 from chartered banks for working capital requirements provided such loans are not guaranteed by the Province of Ontario.

Contingent Liabilities

The wholly owned subsidiary, Star Transfer Limited, is the defendant in a law suit for alleged Breach of Contract and a law suit for construction extras. The amounts claimed total approximately \$1,450,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

Interest

Interest received on short term investments, previously netted with interest paid on the debenture, has been shown separately. 1978 figures have been restated to reflect this presentation.

COVER THEME:

Our front cover depicts a farm scene in the New Liskeard area, with Lake Temiskaming in the background.

Access to New Liskeard and the agricultural potential of the area was the purpose of the Railway's initial construction commencing in North Bay in the year 1902.

The discovery of silver at Cobalt added the second dimension to the development of the North Country. Long before the railway reached New Liskeard, other major mineral discoveries were being made to the North of Lake Temiskaming.

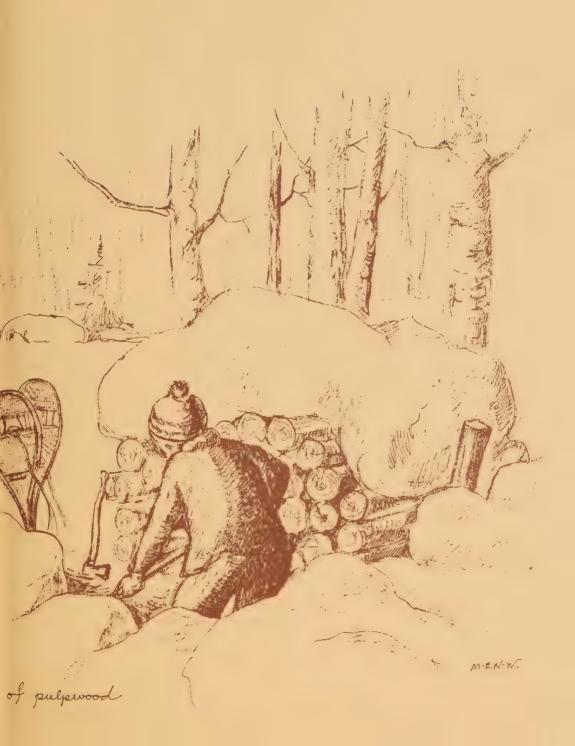
The vast forests added still another dimension, and today, agriculture, mining and forest products continue to be the backbone of the Northern economy.

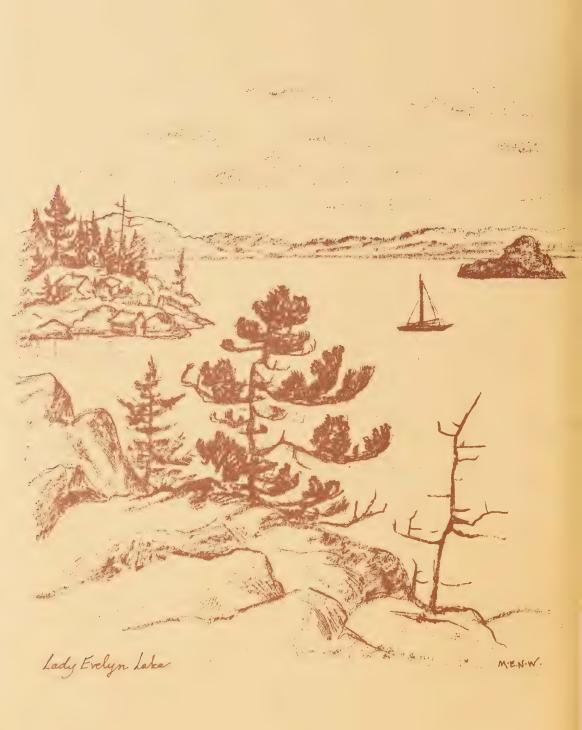
The sparkling lakes, rivers and abundant forests all contribute to the latest and fastest growing industry - Tourism.

Together, Agriculture, Mining, Forestry and Tourism make Ontario's Northland.

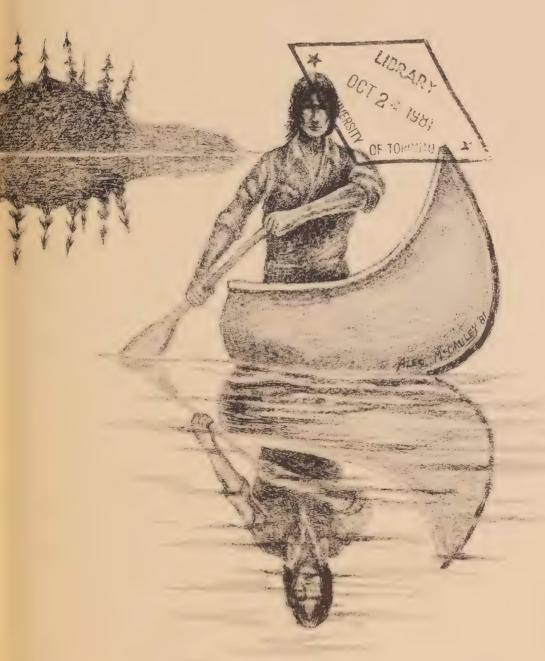
The four sketches depicting the above were drawn by Miss Muriel Newton-White of Englehart. Miss White was born in 1928, in Robillard Township, near Charlton, in Northern Ontario. She graduated from the Ontario College of Art in 1949.

She has always lived in or near the woods and her present activities include outdoor sketching and painting.





Ontario Northland TRANSPORTATION COMMISSION





Annual Report 1980



4491 - A56

PROVINCE OF ONTARIO

 $\begin{array}{c} \text{Honourable William G. Davis, Q.C.} \\ \text{Premier} \end{array}$

Honourable Leo Bernier, Minister Ministry of Northern Affairs

COVER THEME

The 1979 annual report depicted the four dimensions of the north — agriculture, mining, forestry and tourism.

This year, the four seasons are depicted.

The front cover, entitled "The Paddler" depicts summer, followed by "Autumn Flight" of the Canada Goose — the "Bears Cave" in the freeze of winter is followed by "The First Hunt" in spring.

The artist, Alec McCauley, was born in 1955 and is a native of Moosonee. He works in the Weneebaykook Studio.

His art has progressed from realistic to symbolic interpretations of swampy Cree life and stories of his people.

ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending December 31, 1980



MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird O.C., Q.C., B.A., L.L.D. Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 80th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1980.

Respectfully submitted,

Leo Bernier, Minister.

June 1, 1981

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1980 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W. J. Mathews, Chairman.

May 25, 1981

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- W. J. Mathews, Chairman, Cobalt
- P. A. Burns, Commissioner, Dryden
- G. E. Carr, Commissioner, North Bay . . . retired August 6, 1980
- L. A. Foucault, Commissioner, Espanola . . . appointed May 21, 1980
- I. W. Hollingsworth, Commissioner, Sault Ste. Marie
- N. M. Karam, Commissioner, Cochrane . . . appointed May 7, 1980
- R. L. Piche, Commissioner, Kapuskasing . . . retired April 18, 1980
- J. W. Spooner, Commissioner, Timmins

PRINCIPAL OFFICERS

- R. O. Beatty, General Manager
- W. H. Hohn, Assistant General Manager
- D. E. MacDougall, Comptroller and Senior Financial Officer
- K. J. Moorehead, Senior Operating Officer Rail
- P. A. Dyment, Senior Director, Telecommunications, Marketing and Administration
- K. J. Wallace, Senior Director, Passenger Services and Planning
- L. K. Smiley, Senior Director, Special Projects
- M. C. Hicks, Senior Director, Freight Marketing

REPORT OF THE GENERAL MANAGER

Mr. W. J. Mathews Chairman

North Bay, Ontario May 8, 1981

he following report of Ontario Northland Transportation Commission operations which nded December 31, 1980 is respectfully submitted:

Consolidated Net Income

			Increase
	1980	1979	(Decrease)
	\$	\$	\$
Commercial Operations:		·	*
Rail Freight	6,099,908	4,060,238	2,039,670
Express	(399,162)	(380,997)	(18,165)
Telecommunications	5,087,733	3,759,260	1.328.473
Bus	(192,060)	(168,487)	(23,573)
Transport (Star Transfer)	(424,221)	(223,539)	(200,682)
Lake Nipissing Marine	(107,366)	(104,531)	(2,835)
Hotel and Camp	21,046	(117,944)	138,990
Ion-Commercial Operations:			
Rail Passenger	1,538,000	139,052	1,398,948
norOntair	-	-	-
Owen Sound Marine	-	-	-
Remote North Projects	-		-
Moosonee Ferry Service			-
let Income Before Interest on Debt	11,623,878	6,963,052	4,660,826
.ess: Net Interest on Debt	2,309,330	3,136,329	(826,999)
Extraordinary Items	684,929	133,050	551,879
Net Income for the Year	8,629,619	3,693,673	4,935,946

eneral

The Commission's operations for the year 1980 pnerated a net income of \$8,629,619, compared to 1,693,673 in 1979.

Our freight revenue increased significantly over e previous year, due mainly to some unexpected terchange of traffic received from another carrier and rather significant increased freight carryings in veral other product lines; it is not expected that ere will be a repetition of similar movements in 181.

Our Telecommunications Division also performed atter than anticipated, making an important conbution to the improved results.

Star Transfer Limited, as did most trucking firms Ontario, finished the year in a less favourable sition than in 1979, and forecasted estimates for 181 are not optimistic.

Express Services, while indicating some operanal improvements, finished the year in a loss sition, and the forecast is for a steady long-term lancial worsening.

In total, commercial operations, with the excep-

tion of Star Transfer Limited and Express Services, performed well.

Capital spending in 1980 was \$12.6 million: \$5.6 million was spent for the acquisition of 100 new boxcars; \$2.6 million on rail, ties and facilities maintenance; \$2.6 million on telecommunications expansion; and \$1.1 million on norOntair.

While we are forecasting increased freight revenues for the year 1981, I must emphasize that we are heavily dependent on forest and mining products, both for domestic and export movements, and any slowdown in either of these industries will create significant downward pressure on the 1981 forecast.

In order to make principal debt payments to the province of approximately \$2 million per year beginning in the year 1985, a sinking fund has been established. This fund currently is sufficient to meet our obligations for the first two years of repayment.

A more detailed review of the Commission's operations is attached.

R. O. Beatty,

General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

In 1979 a program was undertaken to replace the original European locomotives on the four Northlander trainsets with modified North American locomotives in order to reduce maintenance costs and improve service reliability. All work involved in rebuilding, rewiring and modifying the locomotives for Northlander service was performed in our North Bay facilities. The units were completed and placed in service in mid-1980, on schedule and within budgeted cost estimates.

In addition to providing a more reliable train service, the utilization of this equipment resulted in a 40% overall reduction in Northlander locomotive operating costs.

The program instituted for the rebuilding of the older portion of the locomotive fleet continued during the year, resulting in three additional units being returned to service in as-new condition; in addition, three later model heavy-duty freight locomotives were completely overhauled.

An agreement was entered into with GO Transit in late 1980 to repaint a number of their locomotives in our North Bay facility. Six units were completed by the end of the year, and it is our intention to seek out additional contract work of this nature.

Our Maintenance of Way Department installed six miles of new rail, replacing worn curve rail, distributed an additional 45,000 tons of crushed rock ballast over various parts of the railway system and replaced some 29,000 ties.

As a part of the continuing structure grading program, a new Yard Office erected at North Bay, employee dwell were upgraded at various system pound an arrangement was entered into the leasing of a new train crew bunkhout at Cochrane. In addition, our forces of pletely renovated a North Bay office by ing which houses the Mechanical, Purcing and Bus departments.

As in previous years, the major thrus the Facilities Maintenance Division was rected towards the inspection, as well the repair and maintenance of track st tures and associated buildings. This day day effort ensures that our operations be conducted safely and in an efficient manner.

Our Rail Transportation Department tinued its efforts to improve train operatefficiencies, largely by consolidating to wherever possible and taking advantage the reduced freight crew requirements

1980 was the first full year of opera for our computerized Car Service according system. The system is working well has resulted in substantial savings.

During the year, 100 new boxcars of purchased and introduced into On Northland's newsprint service, and an attional 75 boxcars were leased and are butilized for shipments of mining productions to the rolling stock are contributing very effectively to final performance.

TELECOMMUNICATIONS

Long distance calls in Northeastern

ario continued the steady growth which as been enjoyed for a number of years. The volume of traffic handled in 1980 increased by 9% over the previous year.

In mid-year, long distance rates were increased to match those put into effect in the remainder of the province. This, coupled with the growth factor, resulted in long distance revenues increasing by 13% over 979. Revenue from other forms of long distance service, such as telex and private elecommunications service remained at the 979 levels, except for computer-related data service which increased substantially, prought about by a heavy demand for contections from Northeastern Ontario branch offices to southern head office computers.

The effect of cost-reducing projects, prinarily the computerized switchboard operations implemented in 1979, had the desirable effect of keeping expenses well in line, in pite of offsetting inflationary forces during the past year.

To keep abreast of the industry, the Telecommunications Division is constantly excommunications Division is constantly excommunications Division is constantly excommunications and changing its plans
correctly the seasons. During the year, various plant
computer was changed out or expanded.
One significant project was the replacement
of the dial exchange at Temagami with new
computer-controlled apparatus with virtually
computer-controlled apparatus with virtually
computer expansion capability. In addition,
new microwave services were implemented
conserve the towns of Matheson and Temacomminications of Matheson and Temacommunications of Matheson and Temacomminications of Matheson and Temacom

MARKETING

Carload freight marketing efforts directed towards increasing sales and achieving a better price-cost relationship in rates were intensified during 1980. A 20% increase in revenue over the previous year can be attributed to both additional tonnage and increased freight rates.

During the year, carloads handled increased by 4.7% over 1979, and 6 million tons of freight were carried, for a 6.5% increase in tonnage. Approximately 90% of Ontario Northland's carload traffic is generated from two natural resources, mining and forest products. In 1980, forest product traffic reduced slightly, primarily due to housing start reductions, however, mining products more than made up for the slippage, including additional shipments of iron pellets, zinc, lead and sulphuric acid.

The demand for petroleum products, which represents 8% of the total volume of traffic handled by Ontario Northland, continued to increase, and this factor, coupled with more favourable shipping patterns, brought about a 10% tonnage increase in this product line over the past year.

EXPRESS SERVICES

Express Services revenues increased by 4.5%, while the number of shipments handled increased only by 1.5% over the preceding year. The net loss for the year was significantly less than in 1979, primarily due to the introduction of several load pattern changes which made it possible to operate fewer highway runs with only minor effects on service.

AIR & MARINE SERVICES norOntair

The airline experienced a growth of 8%, carrying a total of 118,500 passengers. With the addition of Cochrane in late 1980, the communities served by norOntair now number 21. These communities also have access to direct small package air service to over 10,000 points throughout Canada and the United States on an interline arrangement with Air Canada.

norOntair's fleet was increased by the delivery of the eighth Twin Otter aircraft, with the ninth scheduled for delivery in 1981.

Two 36-passenger Dash-8 aircraft were placed on order, and it is expected that one will be delivered in late 1984 and the second in early 1985.

The Owen Sound Transportation Company

The M.S. Chi-Cheemaun vehicular traffic was up 1%, while passenger traffic declined slightly, however, overall revenue for the operation improved by 8% over 1979.

Vehicular traffic growth is now restricted during the peak July-August period by the vessel's carrying capacity. In an effort to overcome this operating deficiency, a mezzanine deck will be added at the close of the 1981 season, increasing the capacity by an estimated 25 vehicles, an increase of 20%.

From an operating point of view, the year was satisfactory, service was not impaired by mechanical failure and only two trips were cancelled due to inclement weather.

Chief Commanda II

Although the expectations for the season were not met due to poor wea and general decline in tourist traffic in North Bay area, losses were minimized the implementation of stringent cost-rection methods.

The 1981 sailing schedule has been duced and a market study is being ducted in an effort to improve final performance.

PASSENGER SERVICES, TOURISM A PUBLIC AFFAIRS

All segments of passenger rail and travel suffered a decline in the past year

The Polar Bear Excursion services perienced a 17% drop in passengers halled; this fall off of traffic is similar to suffered by other tourist operators in No eastern Ontario.

The Tourist Experience at Moose was improved mainly as a result of appointment of a Tourist Co-ordinator tour guides sponsored by the Ministry Northern Affairs.

Northlander train passenger service well patronized during the summer mor supported by the introduction of new page tours from Toronto to Moosonee using Ontario Northland rail, marine and services.

The Hannah Bay Goose Camp expended one of its most successful seas with improvements to the camp provide additional comforts for the hunters.

Although there is increasing competition in the small parcel market, Bus Parcel Express shipments increased 5%, resulting in 190,000 parcels being handled during the rear.

A minor decline was experienced in the number of passengers handled on regular outes, however, this was more than offset by a 25% growth in charter and tour revenues.

Ontario Northland bus operations are low licensed for charters and tours in more than 40 American states and in all Canadian provinces. During the year, the newly-introduced Circle Tours of the Southeastern United States and an Alaskan tour all releived good responses.

The net loss incurred by Star Transfer refore extraordinary items amounted to 939,000 compared to \$705,000 in 1979.

Although revenues for 1980 were 4.3% reater than in the previous year, a 6.6% acrease in expenses resulted in an operating loss of \$234,000 greater than 1979.

Increased personal customer contacts prough marketing efforts resulted in some evenue benefits from less-than-truckload raffic, however, a reduction in truckload raffic of some 11.5% from the previous ear more than offset the less-than-truckload gains.

A truck franchise was written off as an

extraordinary item in 1980 as the value of that license had been diminishing rapidly due to increased competition in Northeastern Ontario.

The continuing poor financial performance is limiting the company's ability to replace a rapidly-eroding tractor, truck and trailer fleet, and it has been found necessary to enter into short-term trailer leases to ensure availability of equipment.

The committee responsible for the administration of the Employees' Suggestion Plan implemented changes to encourage more employees to participate in submitting suggestions. Promotional programs included special awards and a Suggestion Month. The committee plans to further intensify its efforts to promote this most valuable source of ideas from participating employees.

Staff changes within the Safety Department provided more time for safety reviews, first aid training and safety inspections. While the number of lost-time injuries declined only slightly from 1979, there was significant improvement in the total number of lost-time accidents. The supervisory training program concentrated both on basic management principles and a newly-developed one-day program which stresses the importance of good labour relations.

It should be noted that since the majority of the labour contracts are to be renewed by year-end 1981, the Labour Relations group will face a trying year.

Consolidated Balance Sheet

as at December 31, 1980

Assets	1980	197
	\$	\$
Current Assets		
Cash and short term investments	9,853,396	9,129
and market	324,525	352
Accounts receivable	10,929,909	9,912
Materials and supplies (note 1b)	3,934,496	3,328
Prepaid expenses	101,647	109
	25,143,973	22,833
Long Term Investments — at cost		
Government of Canada Bonds (market \$3,800,000)	4,052,974	
Deferred Charges and Other Assets – at cost Insurance and other funds (approximate market value \$470,400; 1979 – \$348,300)		
(note 1f)	520,626	381
Franchises (notes 1c and 2)	297,679	954
Deposit (note 1g)	20,000	20
Investment in Telesat Canada	150,000	150
	988,305	1,506
Investment in Dunney, or cost less assumulated degree intim		
Investment in Property — at cost less accumulated depreciation (schedule 1 and note 1d)	130,253,131	123,878
	160,438,383	148,217

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J. W. Spooner, Commissioner

R. O. Beatty, General Manager

abilities	1980	1979
	\$	\$
urrent Liabilities		Y
Accounts payable and accrued charges	18,286,219	14,771,165
eserves		
Insurance and other funds	520,626	381,584
ong Term Debt		
Note due 2003 (note 6)	37,500,000	37,500,000
non-interest bearing	35,207,935	35,207,935
Debenture (note 5)	2,062,500	2,187,500
bligation under capital lease (note 4)	658,321	771,486
	75,428,756	75,666,921
ovince of Ontario Equity		
Contributed surplus	13,922,319	13,747,356
Retained income	52,280,463	43,650,844
	66,202,782	57,398,200
	160,438,383	148,217,870

UDITOR'S REPORT

the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission at December 31, 1980 and the consolidated statements of income, retained income, contributed surplus d changes in financial position for the year then ended. My examination was made in accordance with nerally accepted auditing standards, and accordingly included such tests and other procedures as I nsidered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the promission as at December 31, 1980 and the results of its operations and the changes in its financial sistion for the year then ended in accordance with the basis of accounting described in Note 1, applied a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of The Ontario Northland Transportance Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

ronto, Ontario arch 27, 1981. F. N. Scott, F.C.A., Provincial Auditor.

Ontario Northland Transportation Commission

for the year ended December 31, 1980

	197
	\$
Operating Revenues	67,676,
Operating Expenditures	74,837,
LOSS FROM OPERATIONS (Schedules 3 and 4)	7,161,
Government Reimbursement (schedule 2)	14,124,
NET INCOME REFORE INTEREST	
NET INCOME BEFORE INTEREST CHARGES AND EXTRAORDINARY ITEMS	6.963.
CHANGES AND EXTRAORDINART TILMO	0,000,
Interest Charges	
Interest on Debenture and Note	3,711,
Interest Earned on Investments	(575,
Net Interest Charges	3,136
NET INCOME BEFORE EXTRAORDINARY ITEMS	3,826,
Reduction of Marketable Securities	(122
to Market Value	(133,
	2 602
NET INCOME FOR THE YEAR	3,693

See accompanying schedules and notes to financial statements.

consolidated Statement of Retained Income

or the year ended December 31, 1980

	1980	1979
	\$	\$
alance, beginning of year	43,650,844	39,957,171
dd net income for the year	8,629,619	3,693,673
alance, end of year	52,280,463	43,650,844

accompanying schedules and notes to financial statements.

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1980

	1980	197
Balance, beginning of year	\$ 13,747,356	\$ 10,825
- Moosonee - Attawapiskat microwave system - Northlander shop extension - norOntair aircraft and associated equipment - Capital expenditures of The Owen Sound	- 1,120,946 41,029	3,029 650 224
Transportation Company, Limited	14,909,331	14,729
Less: — depreciation charges for the year	987,012 - 987,012	908 73 981
Balance, end of year	13,922,319	13,747

See accompanying schedules and notes to financial statements.

onsolidated Statement of Changes in Financial Position

the year ended December 31, 1980

	1980	1979
purce of working capital	\$	\$
Net income for the year before		
extraordinary items	9,314,548	3,826,723
depreciation expenseother items (net)	4,692,052 7,026	3,485,395 -
Working capital provided from operations	14,013,626 548,803	7,312,118 2,268,247
Province of Ontario	1,161,975	3,903,614
	15,724,404	13,483,979
e of working capital		
Addition to investment in property	12,587,998	10,510,578
Addition to investment in leased property	14,553	14,824
Purchase of bonds	4,060,000	-
Reduction of debenture	125,000	125,000
Reduction of obligation under capital lease	113,165	189,056
The second of the Notable Second of the Net Value	28,175 16,928,891	133,050
The state of the s		
rease (decrease) in working capital	(1,204,487)	2,511,471
	8,062,241	5,550,770
orking capital, end of year	6,857,754	8,062,241
CHANGES IN WORKING CAPITAL		
rrent assets — increase (decrease)		
Cash	723,599	3,315,831
Marketable securities	(28,175)	(133,050)
Materials and supplies	1,017,304	417,351
Prepaid expenses	605,539 (7,700)	(730,646) (23,523)
The superior of the superior o	2,310,567	2,845,963
rrent liabilities — decrease (increase)		
Accounts payable and accrued charges	(3,515,054)	(334,492)
rease (decrease) in working capital	(1,204,487)	2,511,471

accompanying schedules and notes to financial statements.

Schedule of Investment in Property

as at December 31, 1980

	1980	197
	\$	\$
Rail — Roadway	79,517,287	77,32
- Buildings	13,595,000	13,64
- Equipment	32,089,017	25,94
Telecommunications	39,605,573	39,87
Buses	1,834,255	1,82
Boat	927,413	92
norOntair aircraft	6,314,295	5,03
Remote North power and communications	210,889	210
Star Transfer Limited		
- vehicles	4,065,365	4,56
— other	5,044,702	5,06
The Owen Sound Transportation Company, Limited		
- vessel	8,269,820	8,26
— other	172,735	13
Gross investment in property	191,646,351	182,80
Less accumulated depreciation	64,459,776	60,649
Net investment in property	127,186,575	122.15
Under construction	3,066,556	1,72
	130,253,131	123,87

See accompanying schedules and notes to financial statements.

hedule of Government Reimbursement

the year ended December 31, 1980

Schedule 2

	1980	1979
	\$	\$
m Province of Ontario		
ochrane — Moosonee branch line	5,568,741	3,843,000
fain line passenger train	4,610,043	3,590,000
lorthlander	4,020,513	2,372,080
lorthlander locomotives modification	829,579	739,291
emote North power and communications	258,358	325,500
ir services — norOntair	1,425,128	792,150
loosonee ferry	91,236	61,859
	16,803,598	11,723,880
s - The Owen Sound Transportation		
ompany, Limited profits	333,579	356,809
Total Provincial reimbursement	16,470,019	11,367,071
m Government of Canada (note 1h)		
ail passenger — prior years		659,314
– 1979		373,764
lorthlander – 1977		117,837
- 1978		859,532
– 1979		1,396,951
— 1980	331,411	-
Total Federal reimbursement		3,407,398
al Government reimbursement	16,801,430	14,774,469
ess - reimbursement applied to		
Northlander shop extension		650,000
Government reimbursement	16,801,430	14,124,469

accompanying schedules and notes to financial statements.

Schedule of Commercial Operations

for the year ended December 31, 1980

	1980	19
	\$	\$
Rail Freight Services	35,365,220	28,91
Revenue	29,265,312	24,85
Income from Operations	6,099,908	4,06
Express Services		
Revenue	1,184,616	1,30
Expenditures	1,583,778	1,68
Loss from Operations	(399,162)	(38
Telecommunications (note 1i)		
Revenue	19,388,235	16,49
Expenditures	14,300,502	12,73
Income from Operations	5,087,733	3,75
Bus Services	2 4 6 4 6 7 6	0.74
Revenue	3,161,279 3,353,339	2,74 2,91
Loss from Operations	(192,060)	(16
Transport Services		
Revenue	7.616.486	7,16
Expenditures	8,040,707	7,38
Loss from Operations before		
Extraordinary Items	(424,221)	(22
Marine Services (North Bay)	000 000	10
Revenue	203,623 310,989	19 29
		(10
Loss from Operations	(107,366)	
Tourist Facilities	109.118	8
Revenue	88,072	20
Income (loss) from operations	21,046	(11
Total Commercial Operations	2	
Operating Revenues	67,028,577	56,91
Operating Expenditures	56,942,699	50,08
Income from Operations	10,085,878	6,82

See accompanying schedules and notes to financial statements.

Schedule 4

chedule of Non-commercial Operations

the year ended December 31, 1980

	1980	1979
I Passenger Services	\$	\$
Revenue	4,503,309	4,435,534
xpenditures	18,325,596	17,598,251
oss from Operations	(13,822,287)	(13,162,717)
Government Reimbursement	15,360,287	13,301,769
Net Gain from Operations (note 8)	1,538,000	139,052
Services (norOntair)		
levenue	3,947,286	3,257,637
xpenditures	5,372,414	4,049,787
oss from Operations Sovernment Reimbursement	(1,425,128)	(792,150)
povernment hembursement	1,425,128	792,150
rine Services (Owen Sound)		
evenue	3,190,502	2,933,561
xpenditures	2,856,923	2,576,752
ncome from Operations	333,579	356,809
eturned to Province of Ontario	(333,579)	(356,809)
rine Services (Moosonee)		
evenue	35,660	49,319
xpenditures	126,896	111,178
oss from Operations	(91,236)	(61,859)
The moursement	91,236	61,859
	_	
note North Communications		
evenue	10,311	9,932
xpenditures	227,109	231,621
oss from Operations	(216,798)	(221,689)
overnment Reimbursement	216,798	221,689
		-
note North Power		
evenue	96,972 138,532	79,069
	(41,560)	182,880
oss from Operations overnment Reimbursement	41,560	(103,811) 103,811
		-
IN A		
al Non-Commercial Operations	11 704 040	40.705.050
perating Revenues	11,784,040 27,047,470	10,765,052 24,750,469
oss from Operations	(15,263,430)	
Operations	(10,200,400)	(13,985,417)
overnment Reimbursement	16,801,430	14 124 460
The Holling Control of the Control o	10,001,430	14,124,469

accompanying schedules and notes to financial statements.

Notes to Consolidated Financial Statements

December 31, 1980

1. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its whowned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Lim

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is at estimated utility value.

(c) Franchises

Franchises consist of the following:

	1980	1
	\$	
Bus franchise	297,679	29
Truck franchise	-	18
Excess of cost of investment in		
subsidiaries over the book value		
of the underlying net assets at	_	46
dates of acquisition	007.070	
	297,679	95

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of office furniture and equipwhich is charged to operations in the year of purchase.

Depreciation is calculated on a straight-line basis over the estimated service lives of the a with the exception of highway equipment which is depreciated at thirty per cent per annuthe diminishing balance basis. Depreciation generally is based on asset balances at the begin of the year.

For railway and telecommunication properties, the rates used are as authorized by the Can

Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Oministry of Transportation and Communications were transferred to the Commission and Owen Sound Transportation Company, Limited, respectively during 1975. Accordingly, these assets have been recorded at their original cost as incurred by the Ministry together with setting credits to Contributed Surplus. Additionally, reimbursements by the Province of Omother transportation Company, Limited, are credited to Contributed Surplus. Annual deprecentages on these fixed assets, including the aircraft and the vessel, are recorded as a reduction Contributed Surplus.

e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned sub-sidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage.

g) Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of \$20,000 is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

n) Federal reimbursement

Federal Government reimbursement is accounted for on the cash basis. Effective April 1, 1980, reimbursement is made directly to the Ministry of Northern Affairs.

Telecommunications revenue

During 1980 the Commission paid \$724,016 (1979 - \$1,107,942) to connecting telephone companies for toll adjustments for the years 1974 to 1979 inclusive based on a prorate study. Such adjustments are accounted for on a cash basis.

Vrite-off of Franchises

ranchises written-off consist of:

Truck Franchise — acquired 1967			 					 		\$187,760
Transport Franchise - acquired 1960			 					٠.		254,356
Marine Franchise — acquired 1973										214,638
										\$656,754

ontributory Pension Fund

ased on the December 31, 1978 actuarial review, the unfunded liability of the Commission and its holly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$49,681,762. Of his amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of 30,238,655 represents the balance of unfunded liabilities revealed subsequent to January 1, 1965.

he Commission and its subsidiaries are making payments of interest and principal into the fund in ecordance with the Regulations under The Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liabilities over a period ending December 31, 1993.

ease Commitments

nder the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease our Trans Europ Express-1 diesel-electric trainsets and major exchange spare components from the rban Transportation Development Corporation Limited (UTDC). The agreement provides for a net, et lease between the Commission and UTDC for a term of sixty-three months commencing May 4, 277. Rent paid during the current year was \$1,000,000 with the balance payable by the Commission, advance, in two semiannual payments of \$500,000 each.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing \$1,113,138 under a two month renewable capital lease agreement effective January 1, 1978 and extending to January 31, Henceforth, during the term of the lease the Company may purchase the assets at any time or with 90 days prior notice, terminate the lease at any renewal date.

5. Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and general credit of the Ontario Northland Transportation Commission. The outstanding amount of debenture is redeemable by semiannual instalments of \$62,500 payable through December 30, and a final instalment of \$1,937,500 payable December 30, 1983. Interest is payable on the unredebalance at the rate of 10 per cent per annum payable semiannually.

6. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for \$37,500,000 due 2003. Terms on note require interest to be paid semiannually with annual principal repayments to commence January 1985 at 5.25 per cent of the original principal amount of the note.

The Commission is authorized to borrow up to \$1,000,000 from chartered banks for working crequirements provided such loans are not guaranteed by the Province of Ontario.

7. Contingent Liabilities

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged Brof Contract. The amount claimed totals approximately \$1,300,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

8. Net Gain from Non-Commercial Rail Operations

In 1980, the net gain on non-commercial operations (\$1,538,000) represents a return of investme 9.325 per cent on the Commission's assets employed in providing rail passenger service. This accordance with the Memorandum of Understanding dated October 9, 1980 between the Command the Ministry of Northern Affairs.

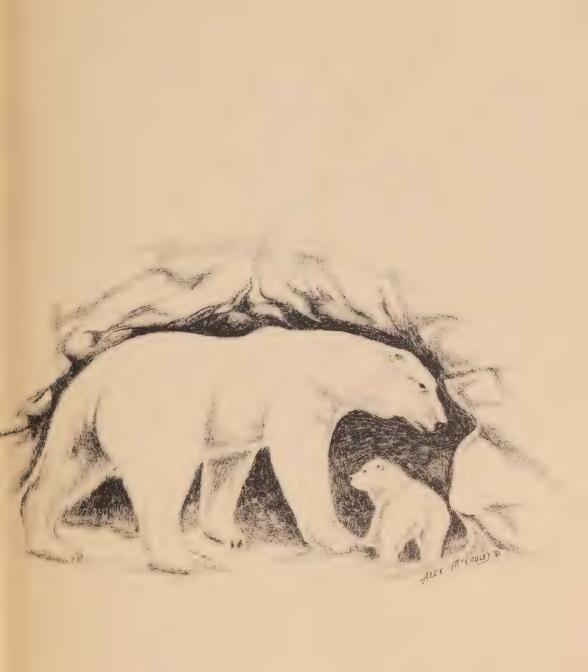
The 1979 net gain (\$139,052) represents Government of Canada reimbursements received for years operations, less non-commercial operating losses not reimbursed by the Province of Onta

9. Star Transfer Limited

The Board of Directors has recommended to the Ministry of Northern Affairs that the Comparsold. The Ministry is presently studying the recommendation and reviewing the possible impact of action on truck transportation in northeastern Ontario.

10. Comparative Figures

Prior year figures have been reclassified where necessary to conform to the current presentation.





Annual Report 1981





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.

Premier

Honourable Leo Bernier, Minister Ministry of Northern Affairs

COVER THEME

norOntair took delivery of C-GHRB, their eighth Twin Otter, in April of 1980.

The registration of the aircraft is in memory of HAROLD R. BROOKS, a former Air Services Supervisor, who died tragically on May 6th, 1977.

ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

for the year ending December 31, 1981



MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 81st annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1981.

Respectfully submitted,

Leo Bernier, Minister.

June 2, 1982

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1981 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W. J. Mathews, Chairman.

May 26, 1982

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- W. J. Mathews, Chairman, Cobalt
- P. A. Burns, Commissioner, Dryden
- N. G. Forth, Commissioner, North Bay . . . appointed June 18, 1981
- L. A. Foucault, Commissioner, Espanola
- I. W. Hollingsworth, Commissioner, Sault Ste. Marie . . . retired April 18, 1981
- N. M. Karam, Commissioner, Cochrane
- J. W. Spooner, Commissioner, Timmins
- M. R. Wright, Commissioner, Sault Ste. Marie . . . appointed June 18, 1981

PRINCIPAL OFFICERS

- R. O. Beatty, General Manager
- D. E. MacDougall, Comptroller and Senior Financial Officer
- K. J. Moorehead, Senior Operating Officer Rail
- P. A. Dyment, Senior Director, Telecommunications, Marketing and Administration
- K. J. Wallace, Senior Director, Passenger Services and Planning
- L. K. Smiley, Senior Director, Special Projects
- M. C. Hicks, Senior Director, Freight Marketing

. W. J. Mathews airman

North Bay, Ontario May 7, 1982

e following report of Ontario Northland Transportation Commission operations, year ding December 31, 1981, is respectfully submitted.

solidated Net Income

	1981	1980	Increase (Decrease)
	\$	\$	\$
nmercial Operations:			
ail Freight	8,199,653	6,099,908	2,099,745
xpress	(378,758)	(399,162)	20,404
elecommunications	6,710,600	5,087,733	1,622,867
us	192,751	(192,060)	384,811
ransport (Star Transfer)	(280,407)	(424,221)	143,814
ake Nipissing Marine	(100,382)	(107,366)	6,984
annah Bay Camp	23,981	21,046	2,935
-Commercial Operations:			
ail Passenger	2,749,150	1,538,000	1,211,150
orOntair	_	_	******
wen Sound Marine	_	_	
emote North Projects	_		_
loosonee Ferry Service			_
Income Before Interest on Debt	17,116,588	11,623,878	5,492,710
s: Net Interest on Debt	1,113,180	2,309,330	(1,196,150)
Extraordinary Items	51,695	684,929	(633,234)
Income for the Year	15,951,713	8,629,619	7,322,094

eral

ne Commission's net revenue position for the year reflects a substantial improvement over the ious year, in spite of a slowdown in the state of national economy.

ur rail freight revenues increased during the ent year, mainly due to our further success in ining substantial interchange traffic from other ers, the balance of the freight movements aining fairly constant.

Telecommunications Division increased calling mes enhanced the division's contribution to the mission revenues significantly, and continuing thin this division is anticipated in future years.

ar Transfer Limited encountered further ating difficulties in the current year, and insing competition and a troubled economy ines a gloomy forecast for this division.

e have taken some decisive action in the Expressices operation; and it is anticipated that barring a ening economic recession that this operation will bit an improvement in 1982-83.

e Bus operations were subjected to a con-

siderable internal operating scrutiny and are now contributing to the Commission's financial health.

As funds have become more readily available, due to the betterment of our net revenue position, we have steadily increased our capital spending to ensure a sound, modern plant.

We are continuing our practice of contributing to the Sinking Fund which was established in 1980 to repay our debt to the Province and which currently has sufficient reserves to meet the first five-yearrepayment term on the debt.

We have forecast little improvement in net revenue position for the year 1982 as compared to 1981 due to economic instability, and would emphasize again that because of our rail freight dependency on forest and mining products, even that goal might be difficult to attain without some extraordinary income.

A more detailed review of the Commission's operations is attached.

Yours truly, R.O. Beatty, General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

Following the Mississauga railway accident, Ontario Northland Rail Services actively participated in the Canadian Transport Commission "Show Cause Hearings" by way of a presentation of written and oral evidence to the Commission by a senior rail officer.

The Canadian Transport Commission, following its deliberations, ordered all rail carriers to take specific action with regard to the handling of dangerous commodities. As a result of the recommendations, Ontario Northland installed two additional hot box detectors to make a total of ten and will be taking steps to install two more detectors in 1982, thereby affording increased protection over all subdivisions.

The Mechanical Division is continuing the established practice of rebuilding older diesel units in the fleet and, in addition, refurbished and reconditioned two conventional passenger coaches for main line service. Continuing the program of providing Maintenance of Way employees with improved living quarters, three "gang" boarding cars were renovated.

In pursuing plans to obtain maximum utilization of our facilities and manpower in North Bay shops, contract work for "GO Transit" undertaken in the year 1981 consisted of painting 11 "GO Transit" locomotives, construction of two auxiliary power control units (APCU) and the

rebuilding of 16 locomotive trucks.

Negotiations are now under wa obtain additional mechanical undertal with "GO Transit" if mutually satisfacterms can be arranged.

During 1981, the Maintenance of Department installed 15 miles of new miles of which were continuous-welde addition, 3 miles of secondhand rail installed on the Island Falls Subdiviand some 50,000 track ties were rene over the system.

A program of rock ballasting on Island Falls Subdivision between Cochi and Fraserdale was initiated during year and the balance of this project wistaged over the next four years.

The continuing program of upgrad facilities for our Maintenance of Morces resulted in the construction of new, modern-style bunkhouse at Mile 43 on the Island Falls Subdivision. facility allowed for the consolidation several adjoining track maintenance gaing and replaced buildings previously cupied which dated from the early year construction on the subdivision.

In line with our practice to enhal protection at public road crossings, the additional flashing light protection stallations were located on the main trace

During 1981, as in previous years, Transportation Department continued the efforts to improve train operation ficiency; this was accomplished by solidation of trains to ensure maximum lage handling and full utilization of the motive fleet.

981 was the first full year of operation the modified Northlander North rican locomotives, and the cost ngs in locomotive maintenance and ced operating costs experienced in were continued throughout the year.

ne computerized car accounting em operated effectively during the and also resulted in improved ation of our car fleet.

ECOMMUNICATIONS

egular long distance telephone calling inues to represent the greater part of Telecommunications Division ness. The number of messages led in 1981 in Ontario Northland ory increased by approximately 8.5% the year 1980. Growth in other areas as "Watts" and circuit leases, cularly in computer-related data ces, continues to make significant ibutions to the overall earnings of the on.

forts are continuing to expand and ade the facilities to meet the demand greater and more sophisticated serso. Included in such upgrades were rechanges to government agencies pipeline companies' radio systems. In a plans will be implemented to ade services in the Temagami Lakes as well as expanding services to the

Detour Lake gold mine project. In the coming year, groundwork will be completed for the installation of the new digital toll switcher to be installed in Timmins in early 1983. This equipment will be an extension of the existing equipment and will allow handling of increased growth and service requirements for telecommunication customers.

While optimism is exhibited in our ability to perform well in the future, there is an acute awareness of the changes and associated challenges that face the telecommunications industry in general in forthcoming years. It is recognized that this division must continue to expand and improve traditional services and one must not lose sight of the fact that new sources of business must be pursued. Long-term planning and advances in technology have placed the division in a favourable position to continue to be innovative and aggressive in a rapidly-changing industry.

PERSONNEL AND LABOUR RELATIONS

During the course of the year a revised employee assistance program was developed with the co-operation of the Addiction Research Foundation. The program embodies the commitment and active participation of union representatives and in addition to placing increased emphasis on the importance of early intervention in employee alcoholism and other dependencies, it offers assistance to employees who need help with other

personal problems as well. A comprehensive orientation and training session makes the plan a viable and workable administrative achievement.

A new supervisory training plan was implemented late in the year, stressing the value of a co-operative approach to problem solving. All supervisors will be introduced to the long-term program by early 1982. French language training is now in place for a group of employees who interface with the public.

EXPRESS SERVICES

Express Services revenues increased by 9.95% over the previous years, however, increased operating expenses resulted in a slightly lower loss position than in 1980.

In an effort to improve the financial position of this division, changes have been introduced in the handling of highway transportation and a consolidation of the Kirkland Lake and New Liskeard terminals will be implemented in June of 1982. It is comtemplated that the actions taken should result in an improved financial position by mid-1983.

AIR & MARINE SERVICES norOntair

In common with most North American airlines, norOntair experienced a below average performance in 1981. Revenue was up by approximately 12%, however, passenger ridership was down by 5%. This result reflects the slow pace of the

economy as well as the impact of creased fares, which in turn reflect rapincreasing operating costs.

During the year, norOntair marke 10th anniversary and a number of p information activities were carried o commemorate the event.

Owen Sound Transportation Compa

The 1981 operating season of the Chi-Cheemaun was seriously marred b unfortunate grounding incident w occurred in late June. This incident le the requirement for a dry-dock inspec and as a consequence, 95 scheduled over an 11-day period in the peak sea had to be cancelled. Making allowance traffic loss in the order of 10,000 vehi as a result of the mishap, demand grev 2% during the year. Traffic growth been restricted during the peak season lack of capacity, however, the M.S. Cheemaun has undergone a major ret and enters the 1982 season with a 2 increase in capacity due to the installa of two additional overhead retracti mezzanine decks. These alterations sho do a great deal to resolve the capa problem during peak season as well improve the overall financial results the level of public service offered.

Chief Commanda II

General revenue expectations for 1981 season were not met, however, results did indicate an improvement

other hand, ridership as a result of the of the vessel for charters was down stantially, apparently due to a ession in the local economy.

major thrust was begun during the 0 season to revitalize the marketing ects of the Chief Commanda II service. ew slogan "Come, Sail a Legend" was oduced and appears to have been well eived. It is anticipated that this keting effort will have a positive effect the growth of traffic in spite of the nomic downturn.

osonee Ferry Service

he M.V. Manitou Island II completed its year of service as a vehicle ferry ween the communities of Moosonee Moose Factory. Vehicular traffic ng the year was up somewhat from 0, however, passenger traffic was stantially down due to the introduction private interests of new passengerying vessels.

SENGER SERVICES. **TOURISM** D PUBLIC AFFAIRS

he Polar Bear Express Excursion had a or decline in traffic, as did the regular reekly Moosonee service and the ventional overnight train operating veen Toronto and Cochrane.

he Northlander, however, enjoyed a increase in revenue passengers,

ership due to general tourism traffic. On attributed to the package tours originating in Toronto, North Bay and Timmins. These package tours incorporate the Northlander, Chief Commanda II, Bus and Polar Bear Express, and are growing in popularity each year.

> Despite significant increases in aircraft and fuel costs, the Hannah Bay Goose Camp attained a profit increase over the previous year. Due to an above average bird hatch, the 147 guests enjoyed a hunters success rate of 93%.

Bus Operations

Total miles operated for the year were down by 7% as a result of decreased tour operations and efficiencies implemented on regular traffic routes.

Passenger traffic increased by less than 1% over the preceding year, and despite growing competition from other parcel carriers, Bus Parcel Express shipments increased by 2%, resulting in an overall gross revenue increase.

Six new 47-passenger-carrying buses were received in November and a similar number of older units were retired; at the same time, three 24-passenger-carrying Sleeper buses were removed from service and replaced with new 47-passenger-This substitution carrying coaches. enabled the division to reduce the complement of equipment from 21 to 18 units and a consequent reduction in future capital expenditures will result.

Ten Years Later



In October of 1971, norOntair began serving four communities in northern Ontario with a single Twin Otter aircraft. Today there are nine Otters serving twenty-one communities.

norOntair flies more than 100,000 passengers annually throughout northern Ontario. Through Integrated scheduling with Air Canada and Nordair, connecting flights are made with a minimum delay.

In addition to regular air freight, norOntair offers more services to its customers than any other courier in northern Ontario. These include norPac, Airvelop and Couriair.

Government subsidies to norOntair have steadily



norOntair is Flying High

declined as almost 80% of the cost of service is paid for by the user.

norOntair offers a variety
of money saving fares
ncluding Northern
skysaver Discounts of
up to 48%, family fares,
special rates for children
and low cost fares for
senior citizens.

Further expansion of the system is presently under

way, which will feature the introduction of the de Havilland of Canada DASH-8 aircraft in 1984. norOntair will become a first customer for this 36 seat, energy efficient, pressurized aircraft. As the pace of economic and social activity increases, norOntair prepares to provide expanded and improved service for the people of northern Ontario.

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31, 1981

Assets	1981	
Current Assets	\$	
Cash and short term investments	17,068,082	9.8
cost and market	272,830	3
Accounts receivable	15,286,844	10.9
Materials and supplies (note 1b) Prepaid expenses (note 1f)	4,412,327 122,692	3,9
	37,162,775	25,1
Long Term Investments - at cost Government Bonds (Market value		
\$7,161,000; 1980 - \$3,800,000).	7,609,379	4.0
Other Assets - at cost Insurance and other funds (Market value \$574,900: 1980 -		
\$470,000) (note 1e)	669,316	52
Bus Franchises	297,679	29
Investment in Telesat Canada	150,000	15
	1,116,995	96
Investment in Property - at cost less accumulated depreciation		
(Schedule 1 and note 1c)	135,083,504	130,25
	180,972,653	160,43

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J. W. Spooner, Commissioner

R. O. Beatty, General Manager

lities and Equity	1981 \$	1980
ent Liabilities	Ť	Ф
counts payable and accrued charges	21,418,233	18,286,219
rves		
urance and other funds	669,316	520,626
Term Debt		
te due 2003 (note 6)	37,500,000	37,500,000
non-interest bearing	35,207,935	35,207,935
benture (note 5)	1,937,500	2,062,500
ligation under capital lease		
note 4)	524,990	658,321
	75,170,425	75,428,756
nce of Ontario Equity		
ntributed surplus	15,482,503	13,922,319
ained income	68,232,176	52,280,463
	83,714,679	66,202,782
	180,972,653	160,438,383

ITOR'S REPORT

Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

EVE examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at mber 31, 1981 and the consolidated statements of income, retained income, contributed surplus and less in financial position for the year then ended. My examination was made in accordance with generally inted auditing standards, and accordingly included such tests and other procedures as I considered sary in the circumstances.

Dy opinion, these consolidated financial statements present fairly the financial position of the Commission December 31, 1981 and the results of its operations and the changes in its financial position for the year ended in accordance with the basis of accounting described in Note 1, applied on a basis consistent with the preceding year.

eport on the audit, completed in accordance with section 39 of the Ontario Northland Transportation lission Act, has been made to the Commission and to the Minister of Northern Affairs.

o, Ontario, 1982.

D.F. Archer, F.C.A Provincial Auditor.

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1981

	1981	
Operating Revenues - Commercial (Schedule 3) - Non Commercial (Schedule 4).	79,376,367 12,690,782	67,02 11,78
Total Operating Revenues	92,067,149	78,81
Operating Expenditures - Commercial (Schedule 3)	65,008,929	56,94
- Non Commercial (Schedule 4).	29,061,087	27,04
Total Operating Expenditures	94,070,016	83,99
LOSS ON OPERATIONS	2,002,867	5,17
Government Reimbursement (Schedule 2)	19,119,455	16,80
	17,116,588	11,62
Interest Income (Expense)		
Interest on Debenture and Note	(3,580,546) 2,467,366	(3,665 1,356
Net Interest	(1,113,180)	(2,309
	16,003,408	9,314
Reduction of Marketable Securities		
to Market Value	(51,695)	(28
Net Income before extraordinary item	15,951,713	9,286 (656
NET INCOME FOR THE YEAR	15,951,713	8,629

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1981

Tor the year ended December 31, 1981		
	1981	1
Balance, beginning of year	13,922,319	13,747
Add: — nor Ontair aircraft and associated equipment.	1,518,069	1,120
Capital expenditures of The Owen Sound Transportation	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Company, Limited	1,281,735	41
	16,722,123	14,909
Less: depreciation charges for the year	1.239.620	987
Balance, end of year	19.482 503	13,922
See accompanying schedules and notes to financial statements		

See accompanying schedules and notes to financial statements.

solidated Statement of Changes in Financial Position

e year ended December 31, 1981

	1981	1980
e of working capital	\$	\$
income for the year before		
extraordinary item	15,951,713	9,286,373
- depreciation expense	5,919,988 (27,405)	4,692,052
Vorking capital provided from operations	21,844,296	7,026 13,985,451
eds on disposal of propertyursement of capital expenditures	718,452	548,803
rovince of Ontario	2,799,804	1,161,975
	25,362,552	15,696,229
working capital		
ition to investment in property chase of bonds uction of debenture uction of obligation under	12,708,433 3,529,000 125,000	12,602,551 4,060,000 125,000
apital lease	133,331	113,165
	16,495,764	16,900,716
se (decrease) in working capital	8,866,788 6,877,754	(1,204,487) 8,082,241
g capital, end of year	15,744,542	6,877,754
CHANGES IN WORKING CAPITAL		
it assets - increase (decrease)		
h	7,214,686 (51,695) 4,356,935	723,599 (28,175) 1,017,304
erials and suppliesaid expenses	477,831 1,045	605,539 (7,700)
	11,998,802	2,310,567
t liabilities · (increase)		
Dunts payable and accrued charges	(3,132,014)	(3,515,054)
se (decrease) in working capital	8,866,788	(1,204,487)
olidated Statement of Retained Income		
Mark and a Day and a second		

ear ended December 31, 1981

	1981 \$	1980
e, beginning of year	52,280,463	43,650,844
income for the year	15,951,713	8,629,619
e, end of year	68,232,176	52,280,463
Ompanying schedules and notes to financial statements		

companying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Investment in Property

as at December 31, 1981

Sche

	1981	
Rail — Roadway	83,184,650	79.
— Buildings	13,915,904	13,
— Equipment	31,987,531	32,
Telecommunications	41,897,941	39,
Buses	2,342.689	1.
Boat	927,413	
norOntair aircraft	7,826,741	6,
Remote North power and communications	210,889	
- vehicles	3,947,693	4,
— other The Owen Sound Transportation Company, Limited	5,050,905	5,
— vessel	9,515,420	8,3
— other	208,871	
Gross investment in property	201,016,647	191.
Less accumulated depreciation	68,986,300	64,
Net investment in property	132,030,347	127,
Under construction.	3,053,157	3,
	135,083,504	130,

dule of Government Reimbursement

Schedule 2

year ended December 31, 1981

	1981	1980
Province of Ontario	\$	\$
nrane - Moosonee branch line I line passenger train hlander hlander locomotives modification ote North power and communications ervices - norOntair (note 9)	6,489,200 5,241,400 4,353,714 — 272,540	5,568,741 4,610,043 4,020,513 829,579 258,358
sonee ferry	1,344,227 65,490	1,425,128 91,236
	17,766,571	16,803,598
ren Sound Transportation Company,		
ed (profit) loss	149,760	(333,579)
Total Provincial reimbursement	17,916,331	16,470,019
lovernment of Canada (note 1g)		
passenger — prior years	1,203,124	
ılander - 1980	_	331,411
Total Federal reimbursement	1,203,124	331,411
overnment reimbursement	19,119,455	16,801,430

Ontario Northland Transportation Commission

Schedule of Commercial Operations

for the year ended December 31, 1981

Sch

	1981	
Rail Freight Services	14	
Revenue	41,572,076 33,372,423	35, 29,
Income from Operations	8,199,653	6
Express Services		
Revenue Expenditures Expenditur	1,307,757 1,686.515	1, 1,
Loss from Operations	(378,758)	_ ((
Telecommunications (notes 1c and 1h)		
Revenue	23,973,306 17,262,706	19, 14,
Income from Operations	6,710,600	5,
Bus Services		
Revenue	3,407,883 3,215,132	3, 3,
Income (loss) from Operations	192,751	(1
Transport Services		
Revenue	8,813,873 9,094,280	7, 8,
Loss from Operations	(280,407)	(4
Marine Services (North Bay)		
Revenue Expenditures	184,094 284,476	
Loss from Operations	(100,382)	(1
Tourist Facilities (Hannah Bay)		
Revenue	117.378 93.397	
Income from operations	23,981	
Total Commercial Operations		
Operating Revenues	7 9,376,367 6 5,008,929	67, 56,
Income from Operations	14,367,438	10,

nedule of Non-Commercial Operations

ne year ended December 31, 1981

	1981 \$	1980
Passenger Services	2	\$
penditures	4,988,739 19,527,027	4,503,309 18,325,596
oss from Operations	(14,538,288) 17,287,438	(13,822,287) 15,360,287
et Gain from Operations (note 8)	0,749,150	(1,538,000)
Services (norOntair)		
penditures (note 9)	4,424,771 5,768,998	3,947,286 5,372,414
iss from Operations	(1,344,227) 1,344,227	(1,425,128) 1,425,128
ne Services (Owen Sound)	0.447.040	0.400.500
penditures.	3,117,916 3,267,676	3,190,502 2,856,923
come (loss) from Operations	(149,760)	333,579
Province of Ontario	149,760	(333;579)
ine Services (Moosonee)		
penditures.	30,166 95, 656	35,660 126,896
oss from Operations	(65,490) 65,490	(91,236) 91,236
ote North Communications evenue penditures	14,284 230,973	10,311 227,109
oss from Operations	(216,689) 216,689	(216,798) 216,798
ote North Power	114.906	96,972
evenue	170,757	138,532
oss from Operations	(55,851) 55,851	(41,560) 41,560
d Non-Commercial Operations Derating Revenues Derating Expenditures	12,690,782 29,061,087	11,784,040 27,047,470
oss from Operations	(16,370,300)	(15,263,430)
overnment Reimbursement	19,119,455	16,801,430

accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

December 31, 1981

1. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-o subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and Supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is sho estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of office furniture and equipment, is charged to operations in the year of purchase.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets the exception of highway equipment which is depreciated at thirty per cent per annum of diminishing balance basis. Depreciation generally is based on asset balances at the beginning of year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

Effective January 1, 1981, the depreciation rate for telecommunications equipment has bee creased to 6.67 per cent from 3.33 per cent. This had the effect of increasing the 1981 depreciange to Telecommunications operations by \$1,135,632, Railway operations by \$1,752 at Contributed Surplus for the Moosonee-Attawapiskat Microwave System by \$101,196.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 vears

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Or Ministry of Transportation and Communications were transferred to the Commission and The County Transportation Company, Limited, respectively during 1975. Accordingly, these fixed a have been recorded at their original cost as incurred by the Ministry together with offsetting crec Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of Contributed assets initially purchased by the Commission and The Owen Sound Transportation Complimited, are credited to Contributed Surplus. Annual depreciation charges on these fixed as including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiare exempt from income taxes and accordingly no provision is reflected in operations.

(e) Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments cargo damage.

Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of \$50,000 (1980 - \$20,000) is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

) Federal reimbursement

Federal Government reimbursement is accounted for on the cash basis. Effective April 1, 1980, reimbursement is made directly to the Ministry of Northern Affairs.

Telecommunications revenue

Toll adjustments are accounted for on a cash basis. During 1981 the Commission received \$204,232 from connecting telephone companies for toll adjustments for the years 1977 to 1980, inclusive based on a prorate study.

In 1980 the Commission paid \$724,016 to connecting telephone companies for toll adjustments for the years 1974 to 1979 inclusive.

rite-off of Franchises

anchises written off consist of:

	1980 \$
Truck Franchise - acquired 1967	187,760
Transport Franchise - acquired 1960	254,356
Marine Franchise - acquired 1973	214,638
	656,754

ontributory Pension Fund

ased on the December 31, 1980 actuarial review, the unfunded liability of the Commission and its whollyvned subsidiaries under the Commission's Contributory Pension Fund totals \$27,207,157. Of this amount 9,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$7,764,050 presents the balance of unfunded liability revealed as at December 31, 1978.

ne Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under the Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liability over a period ending December 31, 1993.

lyments in respect of the 1980 actuarial review commenced in 1981.

ase Commitments

ander the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease four ans Europ Express-1 diesel-electric trainsets and major exchange spare components from the Urban ansportation Development Corporation Limited (UTDC). The agreement provides for a net, net lease tween the Commission and UTDC for a term of sixty-three months commencing May 4, 1977. Rent paid ring the current year was \$1,000,000. This represented the final lease payment to UTDC. In accordance the terms of the lease agreement, the Commission has agreed to purchase in 1982 the four trainsets \$400,000.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing \$1,113,138 under a month renewable capital lease agreement effective January 1, 1978 and extending to January 31 Henceforth, during the term of the lease the Company may purchase the assets at any time or may 90 days prior notice, terminate the lease at any renewal date.

5. Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the content of the Ontario Northland Transportation Commission. The outstanding amount of the deben redeemable by semiannual instalments of \$62,500 payable through December 30, 1982 and a first stalment of \$1,937,500 payable December 31, 1983. Interest is payable on the unredeemed balance rate of 10 per cent per annum payable semiannually.

6. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for \$37,500,000 due 2003. Terms of the require interest to be paid semiannually with annual principal repayments to commence January 5, 15.25 per cent of the original principal amount of the note.

The Commission is authorized to borrow up to \$1,000,000 from chartered banks for working requirements provided such loans are not guaranteed by the Province of Ontario

7. Contingent Liabilities

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged Bre Contract. The amount claimed totals approximately \$1,300,000. Management is not able to determine amount of loss, if any, and no provision has been made in the accounts for any possible loss

8. Net Gain From Non-Commercial Rail Operations

The net gain on operations of \$2,749,150 (1980 - \$1,538,000) represents:

- (a) A return on investment of 9.325 per cent (\$1,546,026; 1980 \$1,538,000) on the Commission's employed in providing rail passenger service. This is in accordance with the Memorandum derstanding dated October 9, 1980 between the Commission and the Ministry of Northern Affair
- (b) A government of Canada final reimbursement of \$1,203,124 for prior years operating losses Swastika-Noranda passenger service not reimbursed by the Province of Ontario. This servic discontinued in October 1979.

9. Change in Accounting Policy: norOntair Overhaul Reserves

In 1981 the Commission discontinued its policy of providing a reserve for airframe and engine over This change in policy was not applied retroactively and had the effect of reducing both the current operating expenditures, loss and Provincial reimbursement by \$682,900. In future, the cost of nor airframe and engine overhauls will be expensed in the year they are incurred

10. Star Transfer Limited

Based on a recommendation by the Board of Directors, the Ministry of Northern Affairs has approved disposal of the Company. The Board of Directors intends to call for public tenders.

11. Comparative Figures

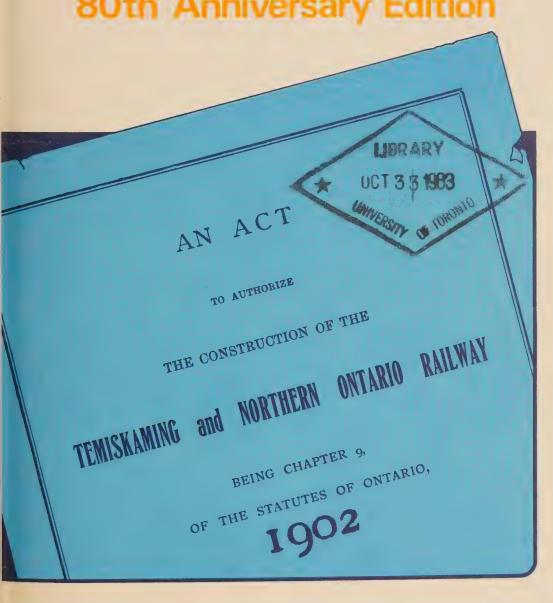
Prior year figures have been reclassified where necessary to conform to the current year's presentat



Contario Northland TRANSPORTATION COMMISSION

CA26N HY91 - A56

Annual Report 1982 80th Anniversary Edition





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C. Premier

Honourable Leo Bernier, Minister Ministry of Northern Affairs



ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

for the year ending December 31, 1982



MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird O.C., Q.C., B.A., L.L.D. Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 82nd annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1982.

Respectfully submitted,

Leo Bernier, Minister.

June 2, 1983

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1982 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner, Chairman.

May 26, 1983

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- J.W. Spooner, Chairman, Timmins ... appointed August 7, 1982
- W.J. Mathews, Chairman, Cobalt ... retired August 6, 1982
- P.A. Burns, Commissioner, Dryden
- N.G. Forth, Commissioner, North Bay
- L.A. Foucault, Commissioner, Espanola
- N.M. Karam, Commissioner, Cochrane
- M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS

- R.O. Beatty, Chief Executive Officer
- P.A. Dyment, General Manager
- D.E. MacDougall, Assistant General Manager
- K.J. Moorehead, Senior Operating Officer Rail
- K.J. Wallace, Senior Director, Passenger Services and Planning
- M.C. Hicks, Senior Director, Freight Marketing

r. J. W. Spooner nairman

North Bay, Ontario May 6, 1983

e following report of Ontario Northland Transportation Commission operations, year ending ecember 31, 1982 is respectfully submitted.

onsolidated Net Income

	1982	1981	(Decrease)
	\$	\$	\$
mmercial Operations:			
Rail Freight	2,851,461	8,199,653	(5,348,192)
Express	(323,925)	(378,758)	54,833
Felecommunications	9,315,466	6,710,600	2,604,866
Bus	270,062	192,751	77,311
Transport (Star Transfer)	(853,947)	(280,407)	(573,540)
_ake Nipissing Marine	(97,867)	(100,382)	2,515
Hannah Bay Camp	14,500	23,981	(9,481)
in-Commercial Operations:			
Rail Passenger	1,598,429	2,749,150	(1,150,721)
norOntair	_	_	_
Owen Sound Marine		_	_
Remote North Projects	_	_	_
Moosonee Ferry Service			
t Income Before Interest on Debt	12,774,179	17,116,588	(4,342,409)
ss: Net Interest on Debt	(874,738) —	1,113,180 51,695	1,987,918 51,695
t Income for the Year	13,648,917	15,951,713	(2,302,796)

neral

The net income of \$13,648,917 earned during the year sonly 11/2% below the targeted net income figure the mmission had established for 1982.

Revenues from freight traffic, both rail and highway insport, were below expectations because of reduced tivity in the mining and forestry business in Northeastern Itario. Expenditure curtailment and cost improvement and along way to offset the reduced revenue.

The Communications branch enjoyed another coessful year and once again made a significant ntribution to the Commission's earnings.

nterest income was greater than anticipated due to the rates of interest earned on surplus funds.

Other operations were near their objectives for the year.

Sapital expenditures during the year totalled \$20.3

million. This included \$4.6 million for locomotives and \$2.2 million for boxcars. Roadway renewal and upgrading amounted to \$4.9 million and \$5.7 million was spent on Communications facilities.

During 1982 improvements to older pensions was provided and an additional 4% ad hoc increase was made to all pensions in effect prior to December 31, 1980.

The year 1983 is expected to be much the same as 1982 in activity with financial results to be slightly lower, and capital expenditures near \$14 million.

On the following pages we have provided more specific detail.

Yours truly, P.A. Dyment, General Manager.

REVIEW OF OPERATIONS

GENERAL

After 50 distinguished years of railroading, Bob Beatty who rose through the ranks to become General Manager and Chief Executive Officer, retired. His devotion to Ontario Northland and his tireless efforts towards helping it achieve its objectives, in a warm, human way, will be long remembered.

RAIL SERVICES

Throughout 1982 the Mechanical Department performed normal maintenance efforts and also combined a program of overhaul and refurbishing equipment. Four locomotives, three passenger cars and ninety-eight freight cars were overhauled. Three coaches, which had been retired after many years of revenue service, were transformed and began new lives as recreation cars for summer work gangs. Another serviceable coach was extensively modified and became a modern entertainment car for use on the Moosonee Excursion train.

The locomotive fleet was increased during 1982 by the purchase of four new 2,000 h.p. locomotives built in London, Ontario. The freight carrying capability of Ontario Northland was significantly increased with the purchase of 106 three year old 75-ton boxcars.

An excellent working relationship be Ontario Northland and GO Transit conduring 1982 when Mechanical Departorces completed a contract initiated in for the overhaul of 16 GO Transit locor trucks. In addition, Ontario Northland took to construct three power units us connection with this locomotive fleet.

The Urban Transportation Develop Corporation became the second major tract customer of the Mechanical Department of the Mechanical D

The Maintenance of Way Department stalled 12.5 miles of new rail and 4 m used rail. Some 57,000 rail ties we placed during the year.

A program of rock ballasting be Cochrane and Fraserdale continued w installation of some 30,000 tons of rock ween Mileages 11 and 23.

During 1982, two additional hot box tor installations were added to the existing already in service. The system as is stands affords a full measure of protect all moderate and heavy traffic portions lines.

Throughout the year, the Transportation epartment continued its efforts to increase e efficiency of train operations and maxize locomotive and car utilization. Less eight trains, but longer ones, paid handsome spense benefits.

ELECOMMUNICATIONS

Traditionally ordinary long distance service as been the main area of growth. But in 382, the general economic downturn finally pacted on the Telecommunications sector the extent that negligible increase over 981 in the volume of long distance essages handled was experienced. evenue increases are primarily due to rate ljustments in late 1981 and 1982. On the ner hand, leased line services continued to intribute significantly to revenues as governent agencies, financial institutions and other centralized businesses turned to telecomunications services in order to realize the ancial and operational gains available from itomation of their services. The 1982 net sition was abnormally enhanced by lusual non-recurring payments for certain w services, and by expense savings sulting from stringent restraint efforts.

During 1982, modern telecommunications rvices were extended to the Detour Mine pject with the completion of construction of ninety-mile microwave system from

Cochrane. Approximately 140 existing subscribers and residents in the Temagami Lakes resort area had their exchange service upgraded to dial operation. Two private mobile radio systems were completely replaced using modern technology. A latest state of the art computer installation was completed for partial replacement and extension of both internal and external computer operations.

The main challenge now before the Division is to ensure that its network remains responsive to rapidly changing technology and the enhanced customer service requirements and consumer demands. To this end, a progressively larger portion of future capital expenditures will be allocated to modernization of plant.

FREIGHT MARKETING

Depressed economic conditions in Canada and the United States were the main factor contributing to a major reduction in freight traffic.

Freight revenues of \$40.3 million were approximately 3% lower than the previous year despite changes in rate levels and efforts to increase business. The 4.9 million tons handled was 14.5% less than the preceding year and represents the lowest tonnage handled on the system since 1967.

The mining and forest industries were among those major sectors particularly affected by the economic situation during the year. As approximately 89% of carload traffic handled on Ontario Northland is attributed to these two industries, the resultant effects of their production reductions and shutdowns were reflected in the freight traffic movements.

The 106 box cars purchased during the year are being used primarily for shipments of refined mining products and expected high utilization will contribute to improved freight service and financial performance.

EXPRESS SERVICES

Express Services revenues decreased 8½% over the previous year mainly due to a 19% decline in shipments handled. Operating costs decreased however by 10½% from the 1981 total, resulting in improved operating net loss of \$50,000.

Six new propane-powered trucks were put into service and along with four sets of highway pup trailers contributed to the reduced costs.

The Kirkland Lake operation was moved into more efficient quarters.

NORONTAIR

Reflecting economic circumstances a common with most airlines, norOntair ship suffered a serious decline in 1982 fic was down by 13 percent over the preyear. Although revenues for the year we by 5 percent over 1981, expenses rose percent despite a concerted effort to relow-yield flying.

In mid-year Nordair Limited, woperates mainline services to Sault Ste. In Thunder Bay and Dryden, experience work stoppage. This resulted in additiving by norOntair in an effort to provide port for the communities affected by the stoppage. Approximately 1,200 additiving hours were expended in this effort it resulted in a net increase in passenge fic of approximately 4,100 during the lamonths of the year.

MARINE SERVICES

The highlight of the 1982 operating so for the M.S. Chi-Cheemaun was the intrition of the new overhead retractable zanine decks. These new decks did me eliminate traffic backlogs and ensurorderly and efficient flow of traffic over Tobermory - South Baymouth ferry

ehicular and passenger traffic during the ear fell somewhat short of expectations. Unit osts increased by 15 percent reflecting igher fuel, labour and material expenses. teps were taken during the year to reduce perating costs. Revenue yield fell short of precast due in part to the general economic roumstances.

Despite general economic conditions 1982 as the most successful season for the Chief ommanda II to date. A new marketing eme, "Come Sail a Legend", was further eveloped and this appeared to have a solitive effect on passenger traffic. At the time time a concerted marketing effort sulted in a solid improvement in charter traffic. Improved revenue yield and ridership ombined with good cost control produced e lowest net loss on operations since the incoduction of the new service in 1975.

The Moosonee ferry service utilizing the .V. Manitou Island II completed its sixth year service and produced a good result. Thanced revenues are a result of increased uck traffic and this, combined with sound echanical performance produced a net sult better than the budgeted forecast.

BUS OPERATIONS

Despite a shortfall in projected regular and charter passengers, as well as Bus Parcel Express (BPX), gross revenues increased 7.6% over the previous year. The increase in Operating Expenditures was held at 4.8%.

Packaged tours to the Canadian East and West Coast and the United States showed a marked improvement over 1981 with a revenue increase of 18%.

Total miles decreased from 1,952,646 in 1981 to 1,854,706 for the current year, due in part to a decrease in the number of charters operated.

Three new buses were purchased with three older units being sold, maintaining the existing fleet at eighteen units.

TOURISM AND PUBLIC AFFAIRS

The Polar Bear Express experienced a decline in traffic of 14% from 22,200 tourists in 1981 to 19,000 tourists in 1982. This decline was consistent with tourism traffic generally in Northern Ontario.

The extensive advertising campaign which started in 1978, was continued and broadened to include the Northern U.S.A. which, in part, resulted in a substantial increase in the number of tourists from the U.S. travelling on the Excursion train. Ontario Northland tours utilizing the Northlander and Polar Bear Express continued to be popular. A completely refurbished lunch counter car and a new entertainment car were well patronized.

At Hannah Bay Camp the general economic state resulted in the last hunt period being cancelled because of hunter reservation cancellations. This, together with substantial increases in aircraft costs resulted in a decline in operating profits.

PASSENGER SERVICES

Passenger traffic in regular train service remained virtually unchanged from 1982, however, an increase of 2.75% was experienced in Northlander carryings, due in part to the Northlander/Polar Bear Express package tours. In anticipation of probable inquiries by the Canadian Transport Commission which regulates passenger train travel in Canada, Ontario Northland in conjunction with its parent Ministry of Northern Affairs increased the intensity of its review of the high

cost of subsidies for train travel in N eastern Ontario. Alternatives to this ser including reduction of service, are u strenuous study and public input is b sought.

PERSONNEL AND LABOUR RELATIONS

Ontario Northland employees are suito the wage restraint legislation enacted 1982 at the Federal and Provincial levels most pervasive result was an adjustment negotiated wage increases and a one extension of the term of the governing of tive agreement through the year 1984.

Initiatives were taken in the establish of an employee health facility and the app ment of an industrial nurse. An emphas first aid training during the year has prova a high level of competence and availabil these important services across the sys

Significant first-time ad hoc adjustment were made to pensions in the course of ment to help pensioners cope with inflating addition to other components, these justments included the general increase 4% for the year 1982 to be followed similar increase in 1983.

CHAPTER 9.

An Act to authorize the construction of the Temiskaming and Northern Ontario Railway.

Assented to 17th March, 1902

Preamble.

HEREAS exploration of the Province has shown that in that district of Ontario which lies between Lake Nipissing and Lake Abitibbi and northwesterly from Lake Temiskaming there are large areas of arable land well fitted for settlement and extensive tracts of merchantable pine and other valuable timber and deposits of ores and minerals which are expected, upon development, to add greatly to the wealth of the Province; and whereas the said district is now difficult of access from the lack of railway communication; and whereas an increasing number of settlers are taking up lands in portions of the said district; and whereas it is in the public interest that the said district should be at as early a date as possible, brought into communication with existing lines of railway and that for this purpose a railway should be constructed and operated under the direction and control of the Province from a point at or near the Town of North Bay on Lake Nipissing to a point on Lake Temiskaming, or to a point in one of the townships adjacent thereto;

Therefore His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows: —

Short title.

1. This Act may be cited as "The Temiskaming and Northern Ontario Railway Act."

THE TEMISKAMING AND NORTHERN ONTARIO RAILWAY COMMISSION.

1902

A.E. AMES, Chairman	Toronto.
EDWARD GURNEY	Toronto.
M.J. O'BRIEN	Renfrew.
B.W. FOLGER	Kingston.
F.E. LEONARD	London.

P.E. RYAN,

Secretary-Treasurer



The realization of constructing a railway through Northern Ontario was fulfilled whe T. & N.O. Railway Act was given Royal Asse March 17th, 1902. The "first sod" was turn the west end of Trout Lake on May 10th, 190 construction began on October 14th through was then considered a difficult and unprof country.



Cochrane Station c. 1912 (Courtesy Ontario Archives)

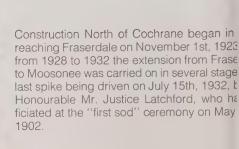
The first discovery of valuable mineral was at Mile Post 103 in August 1903, even before railway was completed to New Liskeard in By 1906 the railway had been extended Englehart and on November 26th, 1908, stee reached Cochrane to effect a juncture wit National Transcontinental Railway then nearing construction stage.

The discovery of gold in the Porcupine a 1909 prompted the extension of steel to Porcupine where regular service was estab

on July 1st, 1911.



(Courtesy Ontario Archives)





(Courtesy Ontario Archives)

Telegraph lines for train operations and company business were simultaneously erected during the construction of the railway, and eventually were extended to providing public commercial telegraph messages. At present the Telecommunications division provides teletype, radio and audio portions of television micro-wave systems and are integrated with continent-wide communications systems.



In 1936 a highway service was provided between Iroquois Falls and Timmins to satisfy a public need. Presently our fleet of 18 modern coaches provide scheduled service between all points in Northeastern Ontario and operate escorted motor coach tours to locations and attractions throughout Canada and the U.S.



A change of names was necessitated in 1946 to more correctly reflect the geographic area of our operations and to eliminate accounting problems with the Texas and New Orleans Railway.

ONTARIO NORTHLAND TRANSPORTATION

April 23rd, 1946

To All Concerned:

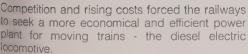
By Act of the Legislature of the Province of Ontario, the name of the Temiskaming an Northern Ontarion Easilway Commission has bechanged, effective April 9th, 1945, to "Ontari Northland Transportation Commission," sind the name of the Railway, operated by the Commission, has been changed from Temiskaming an Northern Ontarion Sailway, to "Ontario North."

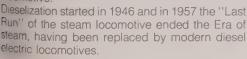
All Railway operations and transaction will be arreded in the rame of Glario North Innd Railway. No separation of accounts we

A FREEMAN Secretar

Approved

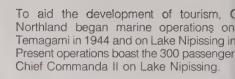
C. E. REYNOLDS,
Chairman

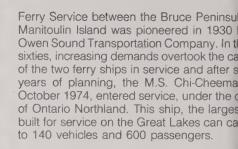














The carriage of less-than-carload shipmen been an integral part of Ontario Northland's to to the needs of Northern Ontario residen businesses alike.

This service was expanded when the open of Star Transfer, a trucking company, was over by the Commission in July, 1960.

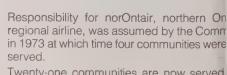
Today, the Express Division and Star Tr continue to provide essential highway se within Northeastern Ontario.



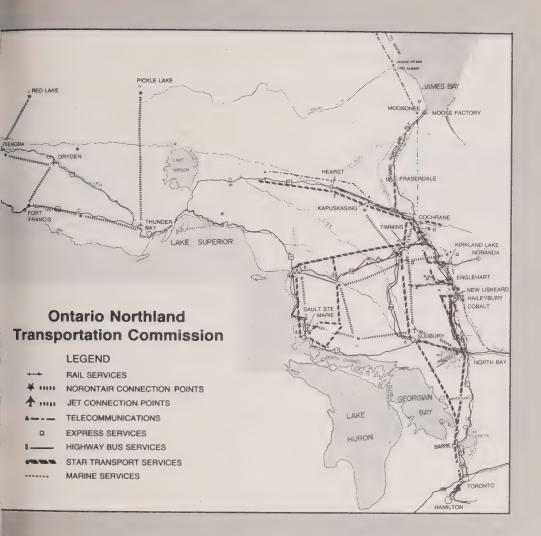
Transportation of people in the early didevelopment in Northern Ontario was a concern and Ontario Northland proscheduled passenger train service to medemand.

This demand is still being served an Northlander, a European-style passenger traplaced in service between Toronto and Til in 1977.

To promote tourism, the Polar Bear Execursion train commenced operation in between Cochrane and Moosonee to pready access to Ontario's northernmo settlement and Moose Factory, one of Or oldest permanent settlements.



Twenty-one communities are now served fleet of nine twin-otter aircraft.



THE ONTARIO NORTHLAND TRANSPORTATION COMMISSION 1982

		Chairman (Appointed August 7, 1962)	
V.J.	Mathews,	Chairman (Retired August 6, 1982) Cobalt	
.A.	Burns		
1.G.	Forth	North Bay	
A.	Foucault.		
1.M.	Karam	Cochrane	
1.R	Wright	Sault Ste Marie	

Consolidated Balance Sheet

as at December 31, 1982

1982 \$	19
3,300,760	17,068
272,830 13,779,643 4,844,897 122,559	272 15,286 4,412 122
22,320,689	37,162
23,066,781	7,609
844,288	669
297,679 150,000	29 ¹
1,291,967	1,110
147,297,702	135,08
193,977,139	180,97
	\$ 3,300,760 272,830 13,779,643 4,844,897 122,559 22,320,689 23,066,781 844,288 297,679 150,000 1,291,967

Approved on behalf of the Commission:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1982 \$	1981 \$
Current Liabilities		
Accounts payable and accrued charges Debenture payable - current portion	21,392,374	21,293,233
(note 4)	1,937,500	125,000
	23,329,874	21,418,233
Reserves		
Insurance and other funds	844,288	669,316
Long Term Debt		
Note due 2003 (note 5)	37,500,000	37,500,000
non-interest bearing Debenture payable (note 4) Obligation under capital lease	35,207,935 —	35,207,935 1,937,500
(note 3)	371,497	524,990
	73,079,432	75,170,425
Province of Ontario Equity		
Contributed surplus	14,842,452	15.482.503
Retained income	81,881,093	68,232,176
	96,723,545	83,714,679
	193,977,139	180.972.653

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1982 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then anded in accordance with the basis of accounting described in Note 1a, applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

Foronto, Ontario, March 31, 1983.

D.F.Archer, F.C.A Provincial Auditor

Consolidated Statement of Income

for the year ended December 31, 1982

	1982 \$	19
Operating Revenues - Commercial (Schedule 3)	81,649,724 13,916,251	79,37 12,69
Total Operating Revenues	95,565,975	92,06
Operating Expenditures - Commercial (Schedule 3) - Non Commercial (Schedule 4).	70,473,974 31,717,447	65,00 29,06
Total Operating Expenditures	102,191,421	94,07
LOSS ON OPERATIONS	6,625,446	2,00
Government Reimbursement (Schedule 2)	19,399,625	19,11
	12,774,179	17,11
Interest Income (Expense) Interest Expense	(3,614,393) 4,489,131	(3,58 2,46
Net Interest	874,738	(1,11
	13,648,917	16,00
Reduction of Marketable Securities to Market Value	-	(5
NET INCOME FOR THE YEAR	13,648,917	15,95

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1982

	1982 \$	1
Balance, beginning of year	15,482,503	13,9
Add: — Northlander trainsets (note 3)	428,000	
norOntair aircraft and associated equipment	50,276	1,5
Capital expenditures of The Owen Sound Transportation Company, Limited	157,356	1,2
	16,118,135	16,7.
Less: depreciation charges for the year	1,275,683	1,2
Balance, end of year	14,842,452	15,4

See accompanying schedules and notes to financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1982

Source of working capital	1982 \$	1981
Net Income for the year	13,648,917	15,951,713
- depreciation expense	6,116,851 (373,525)	5,919,988 (27,405
Working capital provided from operations	19,392,243	21,844,296
Proceeds on disposal of property	648,237	718,452
by Province of Ontario	635,632	2,799,804
	20,676,112	25,362,552
Use of working capital Addition to investment in property Purchase of bonds Reduction of debenture Reduction of obligation under	20,254,969 15,083,877 1,937,500	12,708,433 3,529,000 125,000
capital lease	153,493	133,331
	37,429,839	16,495,764
Increase (decrease) in working capital Working capital, beginning of year	(16,753,727) 15,744,542	8,866,788 6,877,754
Working capital, end of year	(1,009,185)	15,744,542
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease) Cash Marketable securities Accounts receivable Materials and supplies Prepaid expenses	(13,767,322) — (1,507,201) 432,570 (133)	7,214,686 (51,695) 4,356,935 477,831 1,045
	(14,842,086)	11,998,802
Current liabilities - (increase) Accounts payable and accrued charges	(99,141) (1,812,500)	(3,132,014)
	(1,911,641)	(3,132,014)
Increase (decrease) in working capital	(16,753,727)	8,866,788

Consolidated Statement of Retained Income

for the year ended December 31, 1982

	1982 \$	1981 \$
Balance, beginning of year.	68,232,176	52,280,463
Add net income for the year	13,648,917	15,951,713
Balance, end of year See accompanying schedules and notes to financial statements.	81,881,093	68,232,176

Schedule of Investment in Property

as at December 31, 1982

Schedule

	1982 \$	1981 \$
Rail — Roadway	87,409,957	83,184,
— Buildings	13,928,162	13,915,
- Equipment	39,271,705	31,987,
Telecommunications	45,197,178	41,897,
Buses	2,328,106	2,342,
Boat	927,413	927,
norOntair aircraft	7,947,639	7,826,
Remote North power and communications	241,326	210,
— vehicles	3.962,246	3.947.0
- other	5,050,905	5,050,9
The Owen Sound Transportation Company, Limited		
- vessel	9,665,356	9,515.
- other	211,245	208,
Gross investment in property	216,141,238	201,016,
Less accumulated depreciation	73,263,974	68,986,
Net investment in property	142,877,264	132,030,
Under construction	4,420,438	3,053,
	147,297,702	135,083,

chedule of Government Reimbursement

Schedule 2

the year ended December 31, 1982

	1982	1981
om Province of Ontario		
Cochrane - Moosonee branch line	6,953,179	6,489,200
Main line passenger train	5,463,807	5,241,400
Northlander	3,949,753	4,353,714
Remote North power and communications	261,979	272,540
Air services - norOntair	2,765,216	1,344,227
Moosonee ferry	60,100	65,490
	19,454,034	17,766,571
e Owen Sound Transportation Company,		
Limited (profit) loss	(54,409)	149,760
Total Provincial reimbursement	19,399,625	17,916,331
om Government of Canada (note 7b)		
Rail passenger - prior years		1,203,124
tal Government reimbursement	19,399,625	19,119,455

Schedul

Schedule of Commercial Operations

for the year ended December 31, 1982

	1982 \$	198 \$
Rail Freight Services Revenue Expenditures	40,337,538 37,486,077	41,572 33,372
Income from Operations	2,851,461	8,199
Express Services Revenue	1,226,250 1,550,175	1,307 1,686
Loss from Operations	(323,925)	(378
Telecommunications Revenue	28,656,679 19,341,213 9,315,466	23,973 17,262 6,710
Bus Services Revenue Expenditures	3,646,085 3,376,023	3,407 3,215
Income from Operations	270,062	192
Transport Services Revenue	7,432,685 8,286,632	8,813 9,094
Loss from Operations	(853,947)	(280
Marine Services (North Bay) Revenue Expenditures	254,871 352,738	184 284
Loss from Operations	(97,867)	(100
Tourist Facilities (Hannah Bay) Revenue Expenditures	95,616 81,116	117
Income from operations	14,500	23
Total Commercial Operations Operating Revenues	81,649,724 70,473,974	79,376 65,008
Income from Operations	11,175,750	14,367

hedule of Non-commercial Operations

the year ended December 31, 1982

	1982 \$	1981 \$
Passenger Services		
evenue	5,316,868 20,085,178	4,988,739 19,527,027
ss from Operations	(14,768,310) 16,366,739	(14,538,288) 17,287,438
et Gain from Operations (note 7)	1,598,429	2,749,150
Services (norOntair)		
penditures	4,631,080 7,396,296	4,424,771 5,768,998
ss from Operations	(2,765,216)	(1,344,227)
vernment Reimbursement	2,765,216	1,344,227
ne Services (Owen Sound)	-	
venuependitures	3,711,777 3,657,368	3,117,916 3,267,676
ome (loss) from Operationseturned to) or reimbursed by	54,409	(149,760)
ovince of Ontario	(54,409)	149,760
		_
ne Services (Moosonee)		
venue	50,841 110,941	30,166 95,656
ss from Operationsvernment Reimbursement	(60,100) 60,100	(65,490) 65,490
ote North Communications		
venue penditures	59,655 288,654	14,284 230,973
ss from Operations	(228,999)	(216,689)
vernment Reimbursement	228,999	216,689
ote North Power		
venue penditures	146,030 179,010	114,906 170,757
s from Operationsvernment Reimbursement	(32,980) 32,980	(55,851) 55,851
		_
Non-commercial Operations		
erating Revenues	13,916,251 31,717,447	12,690,782 29,061,087
s from Operations	(17,801,196)	(16,370,305)
/ernment Reimbursement	19,399,625	19,119,455
Gain from Operations	1,598,429	2,749,150

Notes to Consolidated Financial Statements

December 31, 1982

1. Significant Accounting Policies

(a) Basis of accounting

These financial statements are prepared in accordance with generally accepted accounting principles the following exceptions:

- (i) Office furniture and equipment is charged to operations in the year of purchase.
- (ii) The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workers' Compensation Board of Ontario. A deposit of \$50,000 is held by the Workers' Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.
- (b) Basis of Consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned sidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(c) Materials and Supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimutility value.

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balabasis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches
Railway diesel locomotives
Railway freight cars
Vessel
Aircraft
Barges
20 to 200 years
25 years
33 years
10 years
20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Min of Transportation and Communications were transferred to the Commission and The Owen Sound Transtation Company, Limited, respectively during 1975. Accordingly, these fixed assets have been record at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. A tionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchable the Commission and The Owen Sound Transportation Company, Limited, are credited to Contribused. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are records as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries exempt from income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and c damage.

Contributory Pension Fund

Based on the December 31, 1980 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$27,207,157. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965, the balance of \$7,764,050 represents the balance of the unfunded liability revealed as at December 31, 1978.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under the Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liability over a period ending December 31, 1993.

Payments in respect of the 1980 actuarial review commenced in 1981. The Commission is awaiting the results of an actuarial review at December 31, 1982.

Lease Commitments

The lease agreement dated October 1, 1976, between the Commission and the Urban Transportation Development Corporation Limited (UTDC) for the lease of four Trans Europ Express - 1 diesel-electric trainsets terminated in 1982. In accordance with the terms of the lease agreement, the Commission exercised its option to purchase in 1982 the four trainsets for \$428,000.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing \$1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, reminate the lease at any renewal date.

Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semiannual instalments of \$62,500 payable through December 30, 1982 and a final instalment of \$1,937,500 payable December 30, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semiannually.

ong Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for \$37,500,000 due 2003. Terms of the note equire interest to be paid semiannually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note.

Contingent Liabilities

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged breach of contract. The amount claimed totals approximately \$1,300,000. Management is not able to determine the amount of loss, and no provision has been made in the accounts for any possible loss.

let Gain From Non-Commercial Rail Operations

he net gain on operations of \$1,598,429 (1981 - \$2,749,150) represents:

- A return on investment of 9.325 per cent (\$1,598,429; 1981 \$1,546,026) on the Commission's assets employed in providing rail passenger service. This is in accordance with the Memorandum of Understanding dated October 9, 1980 between the Commission and the Ministry of Northern Affairs.
 - In 1981 the Government of Canada made a final reimbursement of \$1,203,124 for prior years operating losses of the Swastika-Noranda passenger service not reimbursed by the Province of Ontario. This service was discontinued in October 1979.

tar Transfer Limited

lased on a recommendation by the Board of Directors, the Ministry of Northern Affairs has approved the disposal fithe Company. The Board of Directors is negotiating with interested parties for a possible sale.

comparative Figures

rior year figures have been reclassified where necessary to conform to the current year's presentation.



ISSN 0703 - 072X



Contario Northland TRANSPORTATION COMMISSION

Annual Report 1983

80 Years in the Field of Telecommunications





PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.

Premier

Honourable Leo Bernier, Minister Ministry of Northern Affairs

COVER THEME

A view of Ontario Northland Telecommunications Microwave Site at Big Piskwanish, 35 miles North of Moosonee.

83rd ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending December 31, 1983



MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 83rd annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1983.

Respectfully submitted,

Leo Bernier, Minister.

May 31, 1984

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier, Minister of Northern Affairs, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1983 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully, J.W. Spooner, Chairman.

May 24, 1984

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins

P.A. Burns, Commissioner, Dryden

N.G. Forth, Commissioner, North Bay

L.A. Foucault, Commissioner, Espanola

N.M. Karam, Commissioner, Cochrane

M.R. Wright, Commissioner, Sault Ste. Marie

A.D. Mortson, Commissioner, Englehart ... appointed June 17, 1983

PRINCIPAL OFFICERS

P.A. Dyment, General Manager

D.E. MacDougall, Assistant General Manager

K.J. Moorehead, Senior Operating Officer - Rail

K.J. Wallace, Senior Director, Passenger Services and Planning

M.C. Hicks, Senior Director, Freight Marketing

Mr. J.W. Spooner Chairman

North Bay, Ontario May 4, 1984

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1983 is respectfully submitted.

Consolidated Net Income

	1983	1982	Increase (Decrease)
Commercial Operations:	\$	\$	\$
Rail Freight Express Telecommunications Bus Transport (Star Transfer) Lake Nipissing Marine Hannah Bay Camp	6,004,942 (204,303) 9,753,833 (158,745) (305,647) (128,842) 13,721	2,851,461 (323,925) 9,315,466 270,062 (853,947) (97,867) 14,500	3,153,481 119,622 438,367 (428,807) 548,300 (30,975) (779)
Non-Commercial Operations:			
Rail Passenger norOntair Owen Sound Marine Remote North Projects Moosonee Ferry Service	1,813,999 — — — — —	1,598,429 — — — — —	215,570 — — — —
Net Income Before Interest on Debt	16,788,958	12,774,179	4,014,779
Less: Net Interest on Debt	(1,819,564)	(874,738)	944,826
Net Income for the Year	18,608,522	13,648,917	4,959,605

General

Net income in 1983 was \$18,608,522, a record high for the Commission and better than anticipated.

This favourable result was achieved in spite of a drop of approximately 2% in freight tonnage. Expenses, especially those associated with freight train operations, were reduced to combat the lower traffic performance and to such an extent that actual expenditures in 1983 were \$300,000 less than 1982.

Most operations, other than rail, operated at or near 1982 levels.

During the year disposition of a number of bond investments contributed \$1,770,000 to the net income for the year.

The loan to the Province of Ontario was reduced by \$15,000,000 as a result of a request for early and accelerated repayment of interest bearing debt.

Capital expenditures during the year amounted to

\$9,957,000. Some capital plans were deferred to 1984 because of the traffic declines being experienced. Rail Operations spent \$6,800,000 and this included \$1,300,000 for a new lathe in the Wheel Shop in North Bay. The Communications Group expended \$3,100,000 for new facilities.

4% was added to all pensions in effect as of December 31, 1981, in order to help reduce the effects of inflation on former employees.

While it is not anticipated that the record results of 1983 will be repeated in 1984, it is expected that it will be another successful year for the Commission.

On the following pages we have elaborated upon the year's performance.

Yours truly P.A. Dyment General Manager

REVIEW OF OPERATIONS

RAIL SERVICES

For a variety of reasons customer carload shipments were reduced from expectations. Train Operations did an admirable job of consolidating trains and the result of the effort to run larger but fewer trains compensated for the revenue drop. There was some minor negative impact on a few customer services but it was deemed necessary as a temporary measure in view of the circumstances.

Mechanical forces performed a number of major work programs involving Ontario Northland equipment in the North Bay shops. These included the overhaul of four locomotives which had accumulated over 500,000 miles each and the conversion of three retired passenger cars to sleeping cars for summer work gangs.

Two auxiliary power units were completed and shipped to GO Transit, completing a three unit order initiated in 1982. Negotiations between GO Transit and Ontario Northland resulted in a commitment for Ontario Northland to overhaul sixteen locomotives over a four year period. By year's end, two of these units had been completed and returned and a third was undergoing overhaul. An agreement was also reached whereby Ontario Northland undertook to perform a substantial part of the GO Transit

locomotive and passenger car whee rebuilding work.

Some locomotive and coach work fo Urban Transportation Developmen Corporation was completed during 1983 Efforts to attract outside contract work wherever possible continued and severa minor contracts were obtained.

During 1983 mainline rail beds were improved with 11 miles of new rail, 7 miles of which were continuous welded; 6 miles of secondhand rail was also laid. 50,000 track ties were replaced during the year.

A program of rock ballasting between Cochrane and Fraserdale continued with the application of some 60,000 tons of crushed rock over a span of 10 miles.

Better utilization of ONR freight carwas achieved to the tune of a 51% improvement over the previous year in a major area. Computerization of caservice records continued with improvement in accuracy and information availability.

Efforts to modernize equipment and methods and to maintain an acceptable balance of revenue, expenses and capital program will continue with the objective of wherever possible making efficiencies and innovations with lay-off as a last but hopefully not used resort. This approach resulted in negligible lay-off in 1983 despite reduced traffic.

TELECOMMUNICATIONS

The levelling trend which was experienced in 1982 with respect to message growth was evident through 1983 as well, with a modest increase being realized. Nonetheless, due in part to growth as well as to rate increases in September of 1982 and 1983 in line with restraint programs, revenue from the message toll, WATS and INWATS services grew by approximately ten percent, to more than \$26 million. This, coupled with continued strong showings in Circuit Lease revenues and tightly controlled expense spending, resulted in a five percent increase in net revenue.

During the year, the Branch maintained its longstanding commitment to take advantage of technological advances in providing more and better services to its customers. The latest in digital technology was employed in the major expansion of switching facilities in Timmins, and the replacement of microwave facilities from Cochrane to Smooth Rock Falls and from Hearst to Calstock. Further applications of this advanced technology are in progress in the modernization and expansion of exchange switching in Moosonee and the planned modernization of facilities in the New Liskeard area. Exchange telephone service in the Tomiko and McLaren's Bay area was upgraded to dial operation, and air-to-ground telephone service to private aircraft users was implemented via a new radio station in Moosonee.

Aware of the complex issues of the industry today and the increasing need to keep pace with technological advances in order to provide for the service demands of tomorrow, the Branch remains confident in its ability to seek out opportunities and meet the needs of the future.

FREIGHT SERVICES

Freight revenues of \$41.9 million represented an increase of approximately 4% over the previous year. The 4.8 million tons handled were about 2% less than the previous year and about 6% less than anticipated.

The mining and forest sectors continue to be the main source of Ontario Northland carload freight movements with approximately 84% of the shipments being generated by these industries.

Shipments of newsprint, except for some slight improvement in the latter part of the year, did not recover from the depressed levels experienced in the previous year. Iron ore movements, affected by slow recovery in steel markets and the oversupply of competitive product in world markets, were approximately 11% lower than in 1982. Other commodities were shipped at depressed levels. Increased shipments of some mining products and some new business helped to reduce but not entirely overcome the net effect of the lost traffic.

Operational changes by the Rail Services group were instituted to improve the net income of carload freight operations but some customer service deficiencies were experienced.

Fifteen bulkhead flat cars were purchased to be added to existing equipment allocated for the movement of pulpwood traffic.

Express Services revenues decreased 7% over the previous year despite a one percent growth in the number of shipments handled. The loss in revenue stems in large part from rate decreases in the heavier weight brackets on groceries and the introduction of an economical food-stuff tariff between Ontario Northland points.

Star Transfer continued to pose a dilemma and late in the year it was approved to retain the transport operation as an integral part of the total ONTC freight business but in Northeastern Ontario only. Efforts by year end were underway to do this.

PASSENGER SERVICES - RAIL

During 1983 regular Ontario Northland rail travel experienced an increase in the number of passengers using the regular services.

The Northlander Service enjoyed a 4.5% improvement over the previous yea in passenger carryings, with about 55,000 passengers travelling between Timmins Kapuskasing and Toronto. More that 70,000 people travelled the overnight train between northern points and Toronto and between Cochrane and Moosonee, a 1.3% increase over 1982.

Intensive efforts continued by the staffs of the Commission and the parent Ministry of Northern Affairs to determine the complexion of passenger train travel in the Northeastern Ontario Corridor. Resolution of future plans for rail travel and an nouncement of them is expected early in 1984.

PASSENGER SERVICES - BUS

Highway Services provided bus transportation for slightly in excess of 200,000 persons, down 5% from 1982. The decrease in the number of passengers was offset in part by a small fare increase resulting in passenger revenue improvement of 2%. Bus Parcel Expresshipments were down 5% in 1980 reflecting increased competition in the carriage of small parcels.

The major improvement, as in 1982, wa a 20% increase in bus tour revenue wit more than 1,400 passengers travelling t various North American destinations.

The sale of one bus has reduced the fleet to seventeen highway motor coaches. The purchase of new highway coaches has been deferred until 1984 because of reduced passenger demands.

Route and schedule changes planned for 1984 are expected to reverse the declining profit trend being evidenced.

NORONTAIR

Reflecting the depressed state of the regional economy, norOntair suffered a 14% decline in traffic during 1983 from the previous year. In reaction to slumping traffic, scheduled flight operations were reduced by 11% from 1982. On a more positive note, freight and small package shipments were up 25% and 15% respectively over the year. In addition there was a marked improvement in operational performance. During the year norOntair achieved 96.7% reliability which is up fully 3% over the previous year. In addition on-time performance was improved by 3%.

During the year many activities took place with respect to the upcoming addition to the norOntair fleet of the deHavilland of Canada Dash 8. The Dash 8 is presently scheduled to join the norOntair fleet in the fall of 1984. Preparation for this major change will include an extensive training program which will highlight norOntair activities in 1984.

MARINE SERVICES

While the traffic for M.S. Chi-Cheemaun was disappointing it did show signs of reviving in late summer and ended slightly down from the previous year.

Cost reducing measures were introduced with savings realized in fuel by reducing speed in the spring and fall and by lowering wage costs by adjustments of the engine room staff during the winter. The mezzanine decks again proved their usefulness by reducing the back-log of traffic and the congestion at the terminals during peak periods. The office staff in Owen Sound was relocated to a converted C.N.R. Station in mid-June.

Passenger volume was good on the Chief Commanda II but freight revenues were down. Scheduled operating hours for the Chief Commanda II were decreased by fifty-six in 1983 and these hours were filled with more cost compensatory charters with a resultant increase in restaurant revenue also.

The Moosonee Ferry Service provided by the M/V Manitou Island II completed its seventh year of service with revenue up slightly over 1982 but net profit was down due to a major overhaul on some of its machinery. General supply traffic remained constant while construction related traffic increased during the short season.

TOURISM AND PUBLIC AFFAIRS

1983 marked the 20th continuous season of operation of the Polar Bear Express with passenger ridership climbing from 1,400 persons in its initial season to almost 20,000 in 1983. During 1983 the Northlander/Polar Bear Package was a very popular offering with 1,258 patrons enjoying the benefit of the all inclusive package with the majority travelling from Southern Ontario. The major area of growth was 94 bus tours utilizing the Polar Bear Express in 1983, an increase of 28% over the preceding year.

This substantial increase was generated mainly by participation at tourism promotion conferences such as Rendezvous Canada and the Ontario Motor Coach Association's Market Place.

At Hannah Bay Goose Camp corporate bookings were generally reduced in numbers. Companies that were in former years bringing in guests in larger groups reduced their demand dramatically. A general decline was experienced by other goose camps in the James Bay area. While revenues declined there was also an off-setting improvement in expenses and the overall result of the Camp was similar to 1982.

HUMAN RESOURCES

During 1983 all personnel and labor related concerns were strengthened by the re-organization of all associated function into the newly named Human Resource Branch. The prime motivation for the action was to improve all facets and a tivities associated with employees are pensioners and to provide the employee and the Commission with a senior standard member who would handle related matters.

Improved hiring, appraising of performance, assessment for promotion of career improvement, better training concern for pensioners were some of the areas receiving concentrated attention. Further activity in these and other areas such as safety, workers' compensation labour agreement matters are planned.

During the year, most wages we restricted to increases allowed by a plicable wage guidelines.

An ad-hoc increase of 4% was given a pensioners who had retired prior a December 31, 1981.

ONTARIO NORTHLAND TELECOMMUNICATIONS

The Ontario Northland Telecommunications is a branch of the Ontario Northland Transportation Commission and operates in a geographical area generally recognized as Northeastern Ontario, with its serving territory extending from North Bay in the south to Winisk (on Hudson Bay) in the north, and from the Quebec border on the east to Flynn Lake on the west. The branch provides a complete spectrum of modern telecommunications services, including long distance service, WATS, private line voice and data, CBC program and video, telegraph, telex, as well as local telephone service to five communities. The facilities of the branch connect to all of the local exchanges in its serving territory and, through inter-connection with the systems of other telecommunications carriers, provides for the transmission of messages to and from all corners of the world.

The telecommunications endeavours began with the installation of telegraph lines to assist the construction forces building the Temiskaming and Northern Ontario Railway (T. & N.O.) The commercial communications business evolved to provide for the telegraph and telephone service requirements of the early settlers and the flourishing natural resources industries.

In the first three years of operation the expenditures for the telegraph division were slightly more than \$21,000., the cost to construct a pole line from North Bay to New Liskeard (MP 112.95). In 1905 the T. & N.O. entered into a telegraph agreement with the Canadian Pacific Railway Company to cover interchange of telecommunications business, "one with the other", and establish through rates. Under this agreement the T. & N.O. placed an operator and a messenger in a CPR office in North Bay. With telegraph service now being offered to the public, the T. & N.O. in 1905 earned \$4,697.07 from its "telecommunications" operations.

Within this time frame telephone lines were being strung from North Bay to Mileage 20. Telephones were installed in the stations at North Bay Junction and Widdifield. The line between North Bay and Temagami consisted of four copper wires, with two wires being extended from Temagami to New Liskeard.

On January 22, 1906, an agreement was signed with the Bell Telephone Company of Canada Limited, which provided for the inter-exchange of "telephonic conversation and messages" between subscribers of each system.

In 1906 the telegraph and telephone division earned \$20,514, in revenues, an increase of more than 300 percent from the previous year, and an indication, in retrospect, of the potential for growth that would be experienced in the telecommunications business in the ensuing years.

The settlement of Northeastern Ontario by farmers, miners and forestry workers, resulted in increased demand for public telecommunications services. As well, technology was rapidly developing new ways to meet these service demands.

A microwave system was constructed between North Bay and Moosonee and Lowther, between 1961 and 1963. The microwave system was extended to Timmins in 1969. Microwave routes now exist throughout Ontario Northland's territory, replacing open wire to serve the modern telecommunications needs of Northeastern Ontario subscribers. Ontario Northland's commitment to meet the demands of its customers for modern, sophisticated telecommunications services through the deployment of state-of-the-art technology is demonstrated by the continuing capital investment of the Telecommunications branch. In 1947, \$1.3 million had been spent on capital projects: by 1967, \$15.5 million had been invested to expand and upgrade facilities. More than \$50 million is now invested in the Telecommunications branch.

The branch continues to be best known for the provision of long distance facilities; however, it also provides the local exchange services in the communities of Moosonee, Moose Factory, Temagami, Temagami Island and Marten River. Its customers for private line, voice and data services include many businesses, both large and small, throughout Northeastern Ontario and as well include such organizations as Ontario Hydro, TransCanada PipeLines. Ministry of Transportation and Communications, Ministry of Natural Resources, the Federal Government and the Department of Transport.

The branch employs modern digital carrier systems to serve some areas and has plans to introduce to Northeastern Ontario the use of fibre optics transmission facilities within the next year. As well, Ontario Northland employs satellite technology to serve the remote village of Winisk. The branch has two major switching centres, located at Timmins and New Liskeard, and has two operator centres, located at Timmins and Cochrane and has 170 employees throughout Northeastern Ontario.



Tractor train transporting fuel oil to microwave sites at Big Piskwanish, Cockispent Point and Big Willow River



Riverside view of Attawapiskat - a typical scene of the James Bay settlements with to predominant structures of the church building and the microwave tower



Manually-operated cord-type switchboard



A computer-controlled switchboard



State-of-the-art long-distance switching equipment



Service control centre for the system



Consolidated Balance Sheet

as at December 31, 1983

Assets	1983 \$	1982
Current Assets Cash and short term investments Marketable securities at cost. Accounts receivable Materials and supplies (note 1b). Prepaid expenses.	6,934,638 — 14,299,696 3,890,821 167,569	3,300,76 272,83 13,779,64 4,844,89 122,55
, ropaid oxponocal ry rate and restriction and	25,292,724	22,320,68
Long Term Investments - at cost Government Bonds (Market value \$18,870,000; 1982 - \$26,175,000)	18,263,865	23,066,78
Other Assets - at cost Self Insurance Fund (Market value \$1,039,800; 1982 -		
\$869,000) (note 3)	1,040,474	844,28
Bus Franchises	297,679	297,67
Investment in Telesat Canada	150,000	150,00
	1,488,153	1,291,96
Investment in Property - at cost		
less accumulated depreciation (Schedule 1 and note 1c)	145,152,543	147,297,70
	190,197,285	193,977,13

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1983 \$	1982 \$
Current Liabilities		
Accounts payable and accrued charges	17,226,670	21,392,37 1,937,500
	17,226,670	23,329,874
Provision for Self Insurance (note 3)	1,040,474	844,288
Long Term Debt		
Note due 2003 (note 4)	22,500,000	37,500,000
non-interest bearing Obligation under capital lease	35,207,935	35,207,935
(note 5)	197,840	371,497
	57,905,775	73,079,432
Province of Ontario Equity		
Contributed surplus (note 1c)	13,534,751 100,489,615	14,842,452 81,881,093
	114,024,366	96,723,545
	190,197,285	193,977,139

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1983 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

Toronto, Ontario, March 23, 1984.

D.F. Archer, F.C.A. Provincial Auditor.

Consolidated Statement of Income

for the year ended December 31, 1983

	1983 \$	1982 \$
Operating Revenues		
- Commercial (Schedule 3)	84,888,866 13,743,677	81,649,72 13,916,25
Total Operating Revenues	98,632,543	95,565,97
Operating Expenditures		
- Commercial (Schedule 3)	69,913,907 31,971,805	70,473,97 31,717,44
Total Operating Expenditures	101,885,712	102,191,42
LOSS ON OPERATIONS	3,253,169	6,625,44
Government Reimbursement (Schedule 2		
and note 8)	20,042,127	19,399,62
	16,788,958	12,774,17
Investment Income		
Interest Expense	(3,337,703)	(3,614,39
Interest Earned	3,382,524	4,005,32
Gain on sale of bonds	1,774,743	483,80
Net Investment Income	1,819,564	874,73
NET INCOME FOR THE YEAR	18,608,522	13,648,91

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1983

	1983 \$	1982
Balance, beginning of year	14,842,452	15,482,50
Add: — Northlander trainsets	_	428,00
norOntair aircraft and associated equipment	60,000	50,27
Capital expenditures of The Owen Sound Transportation		
Company, Limited	23,142	157,35
	14,925,594	16,118,10
Less: depreciation charges for the year	1,390,843	1,275,68
Balance, end of year	13,534,751	14,842,4

See accompanying schedules and notes to financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1983

Course of working and to	1983	1982
Source of working capital Net income for the year	\$	\$
Add items not requiring an outlay of working capital	18,608,522	13,648,917
- depreciation expense	6,322,611	6,116,851
- amortization of discount on bonds	(314,354)	(373,525
- gain on sale of bonds	(1,774,743)	(483,806
operations	22,842,036	18,908,437
Proceeds on disposal of property Reimbursement of capital expenditures	4,388,924	648,237
by Province of Ontario	83,142 17,762,888	635,632 4,685,000
Use of working capital	45,076,990	24,877,306
Addition to investment in property	0.055.040	
Purchase of bonds	9,957,219 10,870,875	20,254,969
Reduction of debentures	15,000,000	19,285,071 1,937,500
capital lease	173,657	153,493
	36,001,751	41,631,033
Increase (decrease) in working capital.	0.075.000	(40.750.707)
Working capital, beginning of year. Working capital, end of year	9,075,239 (1,009,185)	(16,753,727) 15,744,542
	8,066,054	(1,009,185)
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease)		
Cash	3,633,878	(13,767,322)
Accounts receivable	(272,830) 520,053	(1 507 201)
materials and supplies	(954,076)	(1,507,201) 432,570
Prepaid expenses.	45,010	(133)
	2,972,035	(14,842,086)
Current liabilities - (increase) decrease		
Accounts payable and accrued charges	4,165,704	(99,141)
	1,937,500	(1,812,500)
	6,103,204	(1,911,641)
Increase (decrease) in working capital	9,075,239	_(16,753,727)
Concellidated Charles and A.D.		
Consolidated Statement of Retained Income		
or the year ended December 31, 1983		
	1983	1982
Balance beginning of year	12	\$
Balance, beginning of year	81,881,093	68,232,176
Add net income for the year	18,608,522	13,648,917

Balance, end of year

See accompanying schedules and notes to financial statements.

81,881,093

100,489,615

Schedule of Investment in Property

as at December 31, 1983

Schedule

	1983 \$	1982 \$
Rail — Roadway. — Buildings. — Equipment	91,428,524 12,997,692 39,394,547	87,409,95 13,928,16 39,271,70
Telecommunications	50,354,932	45,197,17
Buses	2,245,936	2,328,10
Boat	927,413	927,4
norOntair aircraft	7,947,639	7,947,63
Remote North power and communications	241,326	241,32
Star Transfer Limited — vehicles	3,968,310 916,320	3,962,24 5,050,90
The Owen Sound Transportation Company, Limited — vessel	9,665,356 228,992	9,665,35 211,24
Gross investment in property	220,316,987	216,141,23
Less accumulated depreciation	77,987,448	73,263,97
Net investment in property	142,329,539	142,877,26
Under construction	2,823,004	4,420,43
	145,152,543	147,297,70

Schedule of Provincial Government Reimbursement

Schedule 2

for the year ended December 31, 1983

	1983 \$	1982
From Province of Ontario		
Cochrane - Moosonee branch line	6,884,169	6,953,179
Northlander	5,866,118	5,463,807
Remote North power and communications	4,105,684 270,425	3,949,753 261,979
Air services - norOntair	2.929.606	2,765,216
Moosonee ferry	68,882	60,100
	20,124,884	19,454,034
The Owen Sound Transportation Company,		
Limited profit	(82,757)	(54,409)
Total Provincial Government		
reimbursement (note 8)	20,042,127	19,399,625

Schedule of Commercial Operations

for the year ended December 31, 1983

Schedule

	1983	1982
Rail Freight Services		40.007.5
Revenue	41,996,274 35,991,332	40,337,53 37,486,07
Income from Operations	6,004,942	2,851,46
Express Services		
Revenue	1,136,156 1,340,459	1,226,25 1,550,17
Loss from Operations	(204,303)	(323,92
Telecommunications		
Revenue	30,918,454 21,164,621	28,656,67 19,341,21
Income from Operations	9,753,833	9,315,46
Bus Services		
Revenue	3,736,521 3,895,266	3,646,08 3,376,02
Income (loss) from Operations	(158,745)	270,06
Transport Services		
Revenue Expenditures	6,745,742 7,051,389	7,432,68 8,286,63
Loss from Operations	(305,647)	(853,94
Marine Services (North Bay)		
Revenue	253,255 382,097	254,8° 352,7°
Loss from Operations	(128,842)	(97,86
Tourist Facilities (Hannah Bay)		
Revenue	102,464 88,743	95,6° 81,1°
Income from Operations	13,721	14,50
Total Commercial Operations		
Operating Revenues. Operating Expenditures	84,888,866 69,913,907	81,649,72 70,473,9
Income from Operations	14,974,959	11,175,75

Schedule of Non-commercial Operations

for the year ended December 31, 1983

Schedule 4

	1983 \$	1982 \$
Rail Passenger Services		
Revenue	5,713,259 20,755,231	5,316,868 20,085,178
Loss from Operations. Government Reimbursement.	(15,041,972) 16,855,971	(14,768,310 16,366,739
Net Gain from Operations	1,813,999	1,598,429
Air Services (norOntair)		
Revenue	4,016,416 6,946,022	4,631,080 7,396,296
Loss from Operations. Government Reimbursement.	(2,929,606) 2,929,606	(2,765,216) 2,765,216
Marine Services (Owen Sound)		
Revenue	3,671,695 3,588,938	3,711,777 3,657,368
Income from Operations (Returned to) Province of Ontario.	82,757 (82,757)	54,409 (54,409)
	-	
Marine Services (Moosonee)		
Revenue	55,726 124,608	50,841 110,941
Loss from Operations. Government Reimbursement.	(68,882) 68,882	(60,100) 60,100
Remote North Communications		
Revenue	134,573 345,426	59,655 288,654
Loss from Operations	(210,853) 210,853	(228,999) 228,999
Remote North Power		
Revenue	152,008 211,580	146,030 179,010
Loss from Operations	(59,572) 59,572	(32,980)
otal Non-commercial Operations Operating Revenues. Operating Expenditures	13,743,677 31,971,805	13,916,251
Loss from Operations. Government Reimbursement.	(18,228,128) 20,042,127	31,717,447 (17,801,196)
Net Gain from Operations	1,813,999	19,399,625
	.,0,000	1,000,429

Notes to Consolidated Financial Statements

December 31, 1983

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted a counting principles. They include the accounts of the Commission and its wholly owned subsidiarie Star Transfer Limited and the Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Barges	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased if the use in operations designated as non-commercial by the Province. The Commission records the assets at their original cost together with an offsetting credit to Contributed Surplus. Annu depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiari are exempt from income taxes and accordingly no provision is reflected in operations.

2. Contingent Liabilities

The Commission records and pays for the cost of injuries to its employees on a cash basis as accounts a received from the Workers' Compensation Board of Ontario. A deposit of \$50,000 is held by the Worke Compensation Board of Ontario for this purpose. No provision has been made in the accounts for current future liabilities.

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged breach contract. The amount claimed totals approximately \$1,300,000. Management is not able to determine t amount of loss, if any, and no provision has been made in the accounts for any possible loss.

3. Self-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and car damage. Annual contributions to the Self-Insurance Fund consist of a \$100,000 premium paid by t Commission in addition to investment income earned on fund assets.

4. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for \$37,500,000. Terms of the note require interest to be paid semi-annually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note and a final payment of 5.5 percent in 2003.

During the year the Commission repaid \$15,000,000 of this note at the request of the Government of Ontario.

Negotiations are presently underway between the Commission and the Government of Ontario to revise the original repayment terms of this note.

5. Capital Lease

The Commission's subsidiary, Star Transfer Limited, acquired 50 trailers costing \$1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, terminate the lease at any renewal date.

The purchase price of the trailers at any time is their depreciated value as provided in the lease agreement, plus 3 per cent thereon.

Interest on the obligation under capital lease is calculated at the approximate rate of 11.25 per cent per annum on the outstanding balance.

6. Related Party Transaction

During the year, the Commission sold to the Ontario Northland Transportation Commission Contributory Pension Fund, a Fund administered by the Commission on behalf of its employees, bond investments for total proceeds of \$3,199,000. This transaction took place at market value and resulted in a gain on sale to the Commission of \$555,000. There were no amounts due or payable on this transaction at year end.

7. Contributory Pension Fund

Based on the December 31, 1982 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$33,837,143. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$14,394,036 represents the unfunded liability revealed subsequent to that date.

The Commission and its subsidiaries are making payments of interest and principal into the Fund in accordance with the Regulations under the Pension Benefits Act. These payments, amounting to \$3,345,117 per year, have the effect of:

- preventing an increase in the initial unfunded liability (annual payment \$1,361,017);
- liquidating the balance of the unfunded liability over a period ending December 31, 1997 (annual payment - \$1,984,100).

3. Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Affairs, certain operations of the Commission have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, which is the lower of 9.325% and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

9. Star Transfer Limited

In previous years it was reported that the Ministry of Northern Affairs had approved the disposal of the company and that the Board of Directors was negotiating with interested parties for a possible sal However, on January 25, 1984 the Cabinet of Ontario approved in principle the integration of the company operations with those of the Ontario Northland Transportation Commission's Rail and Express services. The Minister of Northern Affairs was requested to review with Management Board of the Cabinet the timing are business plan required to implement such integration.

Subsequently, the company has negotiated an agreement with another trucking company, Kingswa Transport Limited, to interline all freight traffic south of North Bay, subject to the approval of the Ontar Highway Transport Board. The agreement is expected to take effect on May 7, 1984 and commencing the day the company's services would be restricted to those communities situated north of North Bay.

This action follows the sale of the company's Toronto terminal in December 1983.

10. Comparative Figures

Prior year figures have been reclassified where necessary to conform to the current year's presentation.



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ario Northland TRANSPORTATION COMMISSION

Annual Report 1984

M.S. Chi-Cheemaun Completes a Decade of Service between Tobermory and South Baymouth







PROVINCE OF ONTARIO

Honourable David Peterson
Premier
Honourable Rene Fontaine, Minister
Northern Affairs and Mines

ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

for the year ending December 31, 1984



MINISTRY OF NORTHERN AFFAIRS AND MINES

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 84th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1984.

Respectfully submitted,
Rene Fontaine,

Minister.

July 3, 1985

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Rene Fontaine, Minister of Northern Affairs and Mines, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1984 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner, Chairman.

June 28, 1985

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins

M.P. Boreham, Commissioner, Elliot Lake ... appointed August 1, 1984

P.A. Burns, Commissioner, Dryden

N.G. Forth, Commissioner, North Bay

L.A. Foucault, Commissioner, Espanola ... resigned February 29, 1984

N.M. Karam, Commissioner, Cochrane

A.D. Mortson, Commissioner, Englehart

M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS

P.A. Dyment, General Manager

D.E. MacDougall, Assistant General Manager

K.J. Moorehead, Senior Operating Officer - Rail

K.J. Wallace, Senior Director, Passenger Services and Planning

REPORT OF THE GENERAL MANAGER

Mr. J.W. Spooner Chairman

North Bay, Ontario May 3, 1985

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1984 is respectfully submitted.

In 1984 revenues rose by 6.7% and expenses increased by only 5.5%. That assisted the net income to increase from \$18,600,000 to \$21,300,000. This enabled the Commission to provide a special payment of about \$3,800,000 to the Pension Fund and further reduce unfunded liabilities. This had the effect of reducing the actual net income for the year to \$17,400,000.

Proper regard for our human resources has been manifested with such events as retirement seminars, a 4% increase in two year old (or more) pensions, a successful management evaluation and more management training, increased stress on Safety and Health and a continuing commitment to the Employee Assistance Program. We also plan to continue efforts to prolong our improving safety record.

The Commission's determination to maintain and improve services throughout its operations can be observed in the \$12,000,000.00 expenditure in 1984 on capital equipment. This included \$2.9 million for locomotive and freight cars, \$3.1 million on communications apparatus and \$4.1 million on track facilities. The Province also contributed \$8.2 million to acquire the first of two deHavilland "Dash-8" aircraft and related equipment. These expenditures, combined with normal maintenance will enable us to meet our communications responsibilities by road, rail, water, air and electronics. In addition, such ventures as the Polar Bear Express and the Hannah Bay Goose Camp while providing specialized services, also promote the unique characteristics of northeastern Ontario. Even the seemingly negative reduction of Star trucking operations could be positive if its agreement with an international carrier works out as is hoped.

An elaboration of the 1984 activities and results is provided on the following pages.

Yours truly,

P.A. Dyment, General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

Although the Ontario Northland Transportation Commission has expanded into several new fields of communication, the rail service remains, in the public eye, the nucleus of the corporation. In 1984 several related efforts were made to maintain and to improve this sector of our operations. These included specific projects stretching across the full extent of the railway.

- Our forces acquired and modified fifteen used bulkhead flat cars to accommodate the movement of pulpwood traffic from our line.
- North Bay Mechanical Department forces converted three retired passenger cars into two sleeping cars and a dining car for summer work gangs.
- One O.N. locomotive was rebuilt for yard service and two new 2000 horsepower locomotives were placed in service during the fall of the year.
- Mechanical Department forces fulfilled a contract to modify 54 tank car centre plates, rebuilt four GO Transit locomotives and rebuilt wheels for GO Transit, thereby earning \$2.7 million during 1984.
- Line improvements included rock ballasting between Cochrane and Fraserdale with the application of 51,000 tons of crushed rock between Mileage 36 and Mileage 52, the replacement of 50,000 track ties, the

- laying of 7 miles of second hand rail and most prominently, the replacement of 11.6 miles of main line rail with necontinuous welded rail.
- Bridges received special attention in 1984. Three treated timber bridge deck were replaced, one bridge was repainted and major structural repair were made to the Boston Creek bridge. In addition, an underpass in Rouyn was completed and plans were finalized to replace the Store Creek bridge at Moosonee in 1985.
- The Commission constructed a buildin to accommodate a new Motor Car repa shop in Kirkland Lake.

The efforts by the Transportatio Department to increase the efficiency of train operations resulted in our handlin more tonnage per train mile. Our crediposition in car hire settlement improve dramatically due to our being able to supply a greater proportion of O.N. equipment to shippers.

TELECOMMUNICATIONS

Revenue in 1984 increased by eigh percent, attributable to a moderate in crease in the number of toll messages and the effect of rate increases introduced in late 1983. Revenue earned by the leased line services has levelled off, however, a was experienced in 1982 and 1983.

Digital technology has profoundly in fluenced the telephone industry. In particular, new switching systems have been

instrumental in cost reductions, improved performance and simplified interface with connecting companies. During 1984, digital carrier facilities between Hearst and Mattice were completed; and, the first phase of digital transmission facilities construction between Timmins and Smooth Rock Falls commenced. This will include the establishment of a fibre optics entrance cable at Timmins, a first for Ontario Northland.

Improved service has been realized with completion of upgrading replacement of microwave facilities between Fraserdale and Moosonee during 1984. An extension to the Moose Factory Dial Exchange and expansion of radio facilities at Winisk were completed in line with our responsibility to provide modern telecommunication services to remote northern communities. Further south, customer dialing of operatorassisted calls was introduced to the Marten River area.

During the year, a work centre and material storage area was completed at New Liskeard, and a five-year provisioning program of fire detection and suppression equipment for buildings throughout the system was completed. The facility formerly used at Swastika was closed and moved to a new facility at Kirkland Lake.

As a result of the rapid technological changes occurring within the industry, our planning must remain flexible, and upgrading of our personnel and facilities is continuing.

FREIGHT SERVICES

Our line carried 5.3 million tons of carload freight in 1984, an increase of 11.0% over 1983 and thereby generated \$47.4 million in revenues, an increase of 12.9%. More specifically it can be observed that shipments of sulphuric acid, zinc concentrates, zinc metal, newsprint, lumber and forest products increased over 1983 levels. Likewise, refined copper shipments were up substantially, although there was a reduction in inbound shipments of copper concentrates.

In large measure, therefore, it would appear that the increased revenues and tonnage can be attributed to improvements in the mining and forest products sectors of the economy, since these two combine to generate approximately 84% of our total shipments.

Express Services revenues in general increased by 5.4% over the previous year, and total shipments grew by 4%. The general structure of this service changed somewhat in 1984. Operations of the Noranda terminal ceased on September 30, when responsibility for traffic to that area was assigned to our New Liskeard terminal; and Star Transfer relinquished its authority to operate south of North Bay when it entered an interline agreement with a major international carrier. The latter arrangement is expected to reduce the high cost of pick-up and delivery in the Toronto area and concurrently to provide a broader base of customers in Southern Ontario, other provinces and the United States.

PASSENGER SERVICES - RAIL

On the overnight train between northern points and Toronto and on the regular train between Cochrane and Moosonee, the nature and structure of Ontario Northland passenger travel remained virtually unchanged in 1984. Nonetheless, the Northlander ridership increased by nearly 3% to a total of almost 57,000 passengers in the course of the year. Some of this increase resulted from the promotion in southern Ontario and in the United States of Northlander package tours, which included rides on the perennially popular Polar Bear Express run between Cochrane and Moosonee.

Perhaps the most exciting developments in our rail passenger service in 1984 took the form of official announcements which will affect our service in coming years. Early in the year the Province announced that it was seriously considering the development and purchase of two train sets of bi-level passenger rail equipment for use in regular overnight service between Toronto and Kapuskasing and replace the present conventional "Northland" night train service. Equally exciting was the Commission's announcement that it acquired twenty single level commuter coaches from GO Transit. These will be modified into intercity coaches which will, over the next five years, be phased into the Polar Bear Express operation, the regular Moosonee train service and to supplement the "Northland". The concurrent announcement that this renovation work will be done completely within O.N.T.C. shops

indicates the versatility of our enterprises With these equipment improvements the passenger rail services of Ontario Not thland will be vastly improved and modernized and able to meet the needs of the travelling public

PASSENGER SERVICES - BUS

Tour ridership in 1984 increased by 27% making tours once again the best grown area in this division. New tours include such destinations as Cape Cod, Montrea Quebec City and New York City. Bus parce express revenue, despite increasin pressures from other sources, increase by 7% over 1983, due in part to a 5% tari increase.

The Commission tendered the service between Elk Lake and New Liskeard to private contractor, and several schedule weekend services were cancelled in 1984 The latter now operate only as required These reductions, though regrettable wer considered necessary because of a 2.5% decline in the number of passenger carried in 1984 and because of th resulting need to reduce operating costs Nonetheless the O.N.T.C. will continue t provide long haul and inter-line passenge service as well as extensive local service in many isolated areas, the latter bein considered a particularly important service for Northern Ontario. In line with ou regular vehicle replacement policy tw new buses were ordered for delivery i January of 1985.

NORONTAIR

For norOntair the highlight of the year came in December with the introduction to our service of the first of two deHavilland of Canada DHC-8 aircraft. The 36-seat "Dash-8" will replace, on some routes, the 19-seat Twin Otter which has served the airline since its inception, norOntair's adoption of the "Dash-8" marked the first time in Canadian aviation history that a Canadian airline first introduced Canadian built airliner into commercial service. Not surprisingly, much of norOntair's energies in 1984 were devoted to preparing for the aircraft; these included provision of crew training, the acquisition of new tools and spare parts inventory, and the addition of hangar facilities to house the "Dash-8". In terms of norOntair's operation in general, it can be noted that the year witnessed a slight recovery in traffic in spite of increased competition at several points.

MARINE SERVICES

The M.S. Chi-Cheemaun celebrated its Tenth anniversary in 1984 (see special centrespread story). Traffic on this ship remained approximately the same as the previous year although there was a slight decline in the operation's gross revenues. Some savings in fuel costs were obtained by using electric shore power instead of the ship's generators when it docked at Tobermory. The fare structure was held at the 1983 level.

In completing its eighth year of service at Moosonee, the M/V Manitou Island II increased its revenues over 1983. The carrying of students between Moose Factory and Moosonee for the first time in three years accounts for a portion of this increase, but it should be observed also that freight traffic rose marginally over the previous year.

Although the number of charters declined, the Chief Commanda II remained a substantial tourist attraction and in 1984 carried 16,400 persons on tours of Lake Nipissing and the French River.

TOURISM

The Polar Bear Express continued to be the nucleus of this operation. Passenger ridership on this run increased by 6% over the previous year. Continued participation at tourism promotion conferences resulted in an increase of 32% in the number of bus tours which utilized the Polar Bear Express.

The Hannah Bay Goose Camp operations also experienced improvement, perhaps because of the general upward trend in the American economy. Corporate customers increased their bookings, and the total number of hunters attending the camp rose from 106 to 119

HUMAN RESOURCES

In line with a growing public concern on the subject, O.N.T.C. in 1984 conducted three retirement seminars, which were attended by 83 employees who had reached the mandatory retirement age or who were considering early retirement. In addition improvements were made to Ontario Northland's Pension Plan, including the reinstatement of remarried widows and a 4% ad hoc increase to pensioners who retired prior to December 31, 1982.

In the Safety and Health area, specialized training in accident prevention was carried out, and St. John's Ambulance Certificates were presented to 117 employees. Some progress can be noted in the safety area in that during 1984 the total "lost man days" as a result of accident was reduced by 23% and total injuries declined by 154 or 35%. Emphasis on safety, both within and without the workplace will continue, with specialized training and extensive accident prevention reviews.

Significant events over the course of the year concerned management positions of the O.N.T.C.

- Fourteen specialized courses were presented to managers and supervisors, and seminars were conducted on the Employee Assistance Program and Harassment in the Workplace.
- Ten Assessment Centres were conducted to assess the management skills of 60 current and potential supervisors.

- Outside consultants in conjunction with internal resources, using a recognized evaluation system, conducted a comprehensive review of all Ontario Northland management positions. This new evaluation method resulted in a program to correct wage anomalies that had accumulated over time.
- Management Training continued and will continue, with emphasis toward specific specialized training as iden tified by Assessment Centre and Per formance Appraisal results.

On the Labour Relations scene, equall significant developments occurred.

- Hearings were held by the Canada Labour Relations Board in respect of applications for separate certifications by three shopcraft unions.
- The O.N.T.C. Telecommunications employees, represented by B.R.A.C formed a separate group unde provincial certification which will bargain locally.
- Because all 20 of the company's collective agreements expired during o at the end of 1984, many sets o negotiations were under way by yea end.
- A new formal policy has been adopted for the Commission's Employed Assistance Program, and extensive training for both supervisors and em ployee representatives is planned for the coming year.

TOBERMORY - SOUTH BAYMOUTH FERRY SERVICE

In 1984 the **M.S. Chi-Cheemaun** celebrated its tenth year of ferry service between the Bruce Peninsula and Manitoulin Island. It marks a milestone in what has been a long standing service on a centuries old transportation route.

This particular service between Tobermory and South Baymouth was pioneered in 1930, when the Owen Sound Transportation operated the **Kagawong**, a wooden vessel which could carry eight automobiles and operated one round trip each day. When the **Normac** replaced the **Kagawong** in 1932, it carried sixteen vehicles and offered two round trips daily. Increasing vehicular demand resulted in the addition to the service of the **S.S. Norisle** in 1946 and the **M.S. Norgoma** in 1963. Between them these two vessels could accommodate 220 automobiles in each direction each day but by the late 1960's even this improved service could not meet the increasing demands for transportation across the historic passage.

Accordingly, the Ontario government provided for the construction of the **M.S. Chi-Cheemaun** and assigned responsibility for this service to the Ontario Northland Transportation Commission. Placed in service in October of 1974, this modern vessel had a designed capacity of 113 automobiles and in the peak season offered four return trips daily, thereby increasing the potential of the service to 452 cars each way every day.

On launching, the **M.S. Chi-Cheemaun** was the most modern vessel ever built for ferry service on the Great Lakes. Notably, it featured drive-in, drive-off bow and stern loading and unloading facilities through a visored bow system and a square door stern section. It was also the largest to that date, possessing a 62 foot beam and lying a magnificent 365 feet long. It currently has a capacity for 613 passengers and in addition to automobiles can accommodate passenger buses and transport trucks. Two Ruston 3500 horsepower diesel engines power the ship which is also equipped with an 800 horsepower "bow thruster" to improve handling at slow speeds Modern navigation aids, including gyroscopic compass, radar, very high frequency (VHF) radio telephones as well as the latest innovations in safety equipment are included on this vessel in order to provide for the security of passengers, crew and cargoes. Comfort has been considered by equipping the ship with gyro-controlled stabilizers which allow a smooth passage despite rough weather.

The upper deck of the **M.S. Chi-Cheemaun** features a forward lounge seating area for 169 people, an aft lounge seating area for 98 people, and a sun deck for an additional 100 passengers. The lounge deck also includes washrooms, writing desks and a newsstand.

The cafeteria deck contains a 236-seat dining area serving both hot and cold meals in cafeteria-style, as well as a licensed lounge in the aft portion of the cafeteria deck. Throughout the ship the decor features the natural splendour and marine history of Georgian Bay. The ship has a crew of 70, including 15 officers and two captains. Agency staff at Tobermory and South Baymouth number approximately thirty persons during the summer season.

Faced with increased traffic in the late 1970's which caused some congestion in the summer season, the Ontario Northland, in 1982, added two additional mezzanine decks on two of the five traffic lanes aboard the **Chi-Cheemaun** to provide for carrying compact and sub-compact cars. The innovation has increased the capacity of the **M.S. Chi-Cheemaun** to 140 automobiles and has successfully alleviated the congestion previously encountered.

In recent years, yearly ridership on the **Chi-Cheemaun** has averaged over 237,000 passengers and 78,500 vehicles. Ontario Northland expects the **M.S. Chi-Cheemaun** will continue to meet the demand for transportation across the vital link between two relatively remote but obviously popular portions of the province

Former Ships

in

Owen Sound

Transportation service



"Kagawong" in Owen Sound Harbour



"Normac"



"S.S. Norisle"



"M.S. Norgoma"

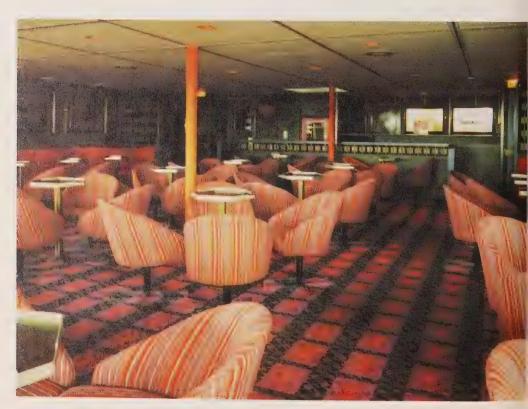


"M.S. Chi-Cheemaun" Preparing to Leave South Baymouth



"M.S. Chi-Cheemaun" Arriving at Tobermory





Cafeteria and Lounge



Wheel House



An Aft View of Georgian Bay

Consolidated Balance Sheet

as at December 31, 1984

Assets	1984 \$	1983 \$
Current Assets		
Cash and short term investments	4,681,754	6,934,6
Accounts receivable	13,148,265	14,299,6
Materials and supplies (note 1b)	4,328,384	3,890,8
Prepaid expenses	234,358	167,5
	22,392,761	25,292,7
Long Term Investments - at cost		
Government Bonds (Market value	05.000.400	40,000,0
\$27,030,000; 1983 - \$18,870,000)	25,883,120	18,263,8
Other Assets - at cost		
Self Insurance Fund (note 3)		
(Market value \$1,362,000: 1983 -		4 0 40 4
\$1,039,800)	1,273,996	1,040,4
Bus Franchises	297,679 150,000	297, 6 1 150,00
investinent in relesat Canada		
	1,721,675	1,488,1
Investment in Property - at cost		
less accumulated depreciation		
(Schedule 1 and note 1c)	156,327,129	145,152,54
	000 004 005	100 107 20
	206,324,685	190,197,2

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1984	1983
Current Liabilities		
Accounts payable and accrued charges	18,575,793	17,226,670
Provision for Self Insurance (note 3)	1,273,996	1,040,474
Long Term Debt		
Note due Province of Ontario (note 4)	13,000,000	22,500,000
non-interest bearingObligation under capital lease	35,207,935	35,207,935 197,840
	48,207,935	57,905,775
Province of Ontario Equity		
Contributed surplus (note 1c)	20,328,060	13,534,751
Retained income	117,938,901	100,489,615
	138,266,961	114,024,366
	206,324,685	190,197,285

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs and Mines

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1984 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs and Mines.

Toronto, Ontario, April 4, 1985. D.F. Archer, F.C.A Provincial Auditor

Consolidated Statement of Income

for the year ended December 31, 1984

1984 \$ 91,438,854	1983 \$ 84,888,8
	13,743,6 98,632,5
73,379,254 34,144,512	69,913,9 31,971,8
107,523,766	101,885,7
2,293,626	3,253,1
21,576,020 19,282,394	20,042,1
(2,073,555) 4,077,447	(3,337,70 3,382,52 1,774,74
2,003,892	1,819,56
21,286,286	18,608,52
3 837,000	
17,449,286	18,608,52
	\$ 91,438,854 13,791,286 105,230,140 73,379,254 34,144,512 107,523,766 2,293,626 21,576,020 19,282,394 (2,073,555) 4,077,447 2,003,892 21,286,286 3 37,000

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1984

	1984 \$	1983
Balance, beginning of year	13,534,751	14,842,45
Add: — norOntair aircraft and associated equipment	8,024,206	60,00
Capital expenditures of The Owen Sound Transportation Company, Limited	91,299	23,14
	21,650,256	14,925,59
Less: depreciation charges for the year	1,322,196	1,390,84
Balance, end of year	20,328,060	13,534,75

See accompanying schedules and notes to financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1984

	1984	1983
Source of working capital	\$	\$
Net income for the year	17,449,286	18,608,522
- depreciation expense.	6,710,144	6,322,611
- amortization of discount on bonds	(175,592)	(314,354
- gain on sale of bonds	<u> </u>	(1,774,743
Working capital provided from		
operations	23,983,838	22,842,036
Proceeds on disposal of property	792,668	4,388,924
by Province of Ontario	8,115,505	83,142
Proceeds on sale of bonds	2,000,000	17,762,888
	34,892,011	45,076,990
Use of working capital		
Addition to investment in property	19,999,594	9,957,219
Purchase of bonds	9,443,663	10,870,875
Repayment of debentures	9,500,000	15,000,000
Reduction of obligation under		
capital lease	197,840	173,657
	39,141,097	36,001,751
ncrease (decrease) in working capital	(4,249,086)	9,075,239
Norking capital, beginning of year.	8,066,054	(1,009,185)
Norking capital, end of year	3,816,968	8,066,054
		0,000,004
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease)	(0.000.00.00	
Cash	(2,252,884)	3,633,878
Marketable securities. Accounts receivable	(1,151,431)	(272,830) 520,053
Materials and supplies	437,563	(954,076)
Prepaid expenses.	66,789	45,010
	(2,899,963)	2,972,035
current liabilities - (increase) decrease	(2,000,000)	2,0,2,000
Accounts payable and accrued charges	(1,349,123)	4,165,704
Debenture payable.	-	1,937,500
	(1,349,123)	6,103,204
ncrease (decrease) in working capital	(4,249,086)	9,075,239
onsolidated Statement of Retained Income		
or the year ended December 31, 1984		
) - 1 1 1 1 1 1 1 1		
	1984	1983
	6	\$
alance, beginning of year	100,489,615	81,881,093
Add		
dd net income for the year.	17,449,286	18,608,522
Slance and of		100 10- 0
alance, end of year	117,938,901	100,489,615

Schedule of Investment in Property

as at December 31, 1984

Schedul

	1984 \$	1983 \$
Rail - Roadway	97,044,988 13,084,202 41,976,741	91,428,5 12,997,6 39,394,5
Telecommunications	52,418,192	50,354,9
Buses	2,233,890	2,245,9
Boats	927,413	927,4
norOntair - aircraft	12,652,727 1,090,858	7,927,7 19,9
Remote North power and communications	259,517	241,3
Star Transfer Limited - vehicles	3,034,171 861,127	3,968,3 916,3
The Owen Sound Transportation Company, Limited - vessel - other - othe	9,665,356 320,291	9,665,3 228,9
Gross investment in property	235,569,473	220,316,9
Less accumulated depreciation	83,187,015	77,987,4
Net investment in property	152,382,458	142,329,5
Under construction	3,944,671	2,823,0
	156,327,129	145,152,5

Schedule of Provincial Government Reimbursement

Schedule 2

for the year ended December 31, 1984

	1984	1983
		Ψ
From Province of Ontario		
Cochrane - Moosonee branch line	7,737,786	6.884.169
Main line passenger train	5,678,724	5,866,118
Northlander	4,481,291	4,105,684
Remote North power and communications	249,721	270,425
Air services - norOntair	3,110,258	2,929,606
Moosonee ferry	50,726	68,882
	21,308,506	20,124,884
The Owen Sound Transportation Company,		
Limited (profit)	267,514	(82,757)
Total Provincial Government		
reimbursement (note 6)	21,576,020	20,042,127

Schedule of Commercial Operations

for the year ended December 31, 1984

Schedule

	1984 \$	1983 \$
Rail Freight Services		
Revenue	47,426,816	41,996,2
Expenditures	38,527,952	35,991,3
Income from Operations	8,898,864	6,004,9
Express Services		
Revenue	1,197,356	1,136,1
Expenditures	1,390,385	1,340,4
Loss from Operations	(193,029)	(204,3
Telecommunications		
Revenue (Note 7)	33,369,197	30,918,4
Expenditures	22,948,708	21,164,6
Income from Operations	10,420,489	9,753,8
Bus Services		
Revenue	3,867,906	3,736,5
Expenditures	4,090,274	3,895,2
Loss from Operations	(222,368)	(158,7
Transport Services		
Revenue	5,226,205	6,745,7
Expenditures	5,921,176	7,051,3
Loss from Operations	(694,971)	(305,6
Marine Services (North Bay)		
Revenue	221,495	253,2
Expenditures	388,774	382,0
Loss from Operations	(167,279)	(128,8
Tourist Facilities (Hannah Bay)		
Revenue	129,879	102,4
Expenditures	111,985	88,7
Income from Operations	17,894	13,7.
Total Commercial Operations		
Operating Revenues	91,438,854	84,888,8
Operating Expenditures	73,379,254	69,913,9
Income from Operations	18,059,600	14,974,9

Schedule of Non-commercial Operations

for the year ended December 31, 1984

	1984 \$	1983 \$
Rail Passenger Services		
Revenue	5,424,137 22,099,144	5,713,259 20,755,231
Loss from Operations Government Reimbursement	(16,675,007) 17,897,801	(15,041,972 16,855,971
Net Gain from Operations	1,222,794	1,813,999
ir Services (norOntair)		
Revenue	4,344,991	4,016,416
Expenditures	7,455,249	6,946,022
Loss from Operations	(3,110,258)	(2,929,606
Government Reimbursement	3,110,258	2,929,606
lada Cardas (Ours Ours)		
larine Services (Owen Sound) Revenue	2 644 605	0.074.005
Expenditures	3,611,665 3,879,179	3,671,695 3,588,938
Income (loss) from Operations	(267,514)	82,757
Reimbursed by (returned to)	(201,014)	02,707
Province of Ontario	267,514	(82,757
	where the same of	
larine Services (Moosonee)		
Revenue	61,111	55,726
Expenditures	111,837	124,608
Loss from Operations	(50,726)	(68,882)
	<u>50,726</u>	68,882
emote North Communications		
Revenue	139,463	134,573
Expenditures	348,136	345,426
Loss from Operations	(208,673)	(210,853)
Government Reimbursement	208,673	210,853
emote North Power		
Revenue	209,919	152,008
Expenditures	250,967	211,580
Loss from Operations. Government Reimbursement	(41,048) 41,048	(59,572) 59,572
	_	_
Otal Non-commercial Oncodia	de déclaracione la constitución de la constitución	
otal Non-commercial Operations Operating Revenues.	13,791,286	13,743,677
Operating Expenditures	34,144,512	31,971,805
Loss from Operations	(20,353,226)	(18,228,128)
Government Reimbursement	21,576,020	20,042,127
Net Gain from Operations	1,222,794	1,813,999

Notes to Consolidated Financial Statements

December 31, 1984

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted counting principles. They include the accounts of the Commission and its wholly owned subsidiar Star Transfer Limited and the Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is showl estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with exception of highway equipment which is depreciated at thirty per cent per annum on the diminish balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Hoad - main line and branches 20 to 20	U years
Railway diesel locomotives 25 years	S
Railway cars 33 years	3
Vessel 33 years	3
Telecommunications equipment 15 years	3
Aircraft 10 years	S
Boats 20 years	5

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased the use in operations designated as non-commercial by the Province. The Commission records the assets at their original cost together with an offsetting credit to Contributed Surplus. And depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidial are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. Contingent Liabilities

The Commission records and pays for the cost of injuries to its employees on a cash basis as accounts received from the Workers' Compensation Board of Ontario. A deposit of \$50,000 is held by the Worker Compensation Board of Ontario for this purpose. No provision has been made in the accounts for curren future liabilities.

3. Self-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and ca damage. Annual contributions to the Self-Insurance Fund consist of a \$100,000 premium paid by Commission in addition to investment income earned on fund assets.

. Note Due Province of Ontario

During 1984 the Commission repaid \$9,500,000 of its note payable to the Province. By Order in Council 129/85 dated January 17, 1985, repayment terms of the remaining \$13,000,000 have been revised to require two equal installments of \$6,500,000 plus accrued interest at 9.325 per cent in June and December 1985.

It is expected that these payments will be made from other than current assets.

Contributory Pension Fund

Based on the December 31, 1982 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals \$33,837,143. Of this amount \$19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of \$14,394,036 represents the unfunded liability revealed subsequent to that date.

The Commission and its subsidiaries are making payments of interest and principal into the Fund in accordance with the Regulations under the Pension Benefits Act. These payments, amounting to \$3,345,117 per year, have the effect of:

- preventing an increase in the initial unfunded liability (annual payment \$1,361,017);
- liquidating the balance of the unfunded liability over a period ending December 31, 1997 (annual payment \$1,984,100).

In addition, in 1984 the Commission made an extra payment of \$3,837,000 into the Pension Fund to reduce the unfunded liability.

An actuarial review of the Fund is being completed to December 31, 1984.

Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Affairs, certain operations of the Commission have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, equal to the lesser of 9.325 per cent and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

Telecommunications Revenue Agreements

Telecommunications operations provide approximately 36 per cent of commercial revenues and 58 per cent of net income earned on all of the Commission's commercial operations. Approximately 85 per cent of telecommunications revenues depend on revenue-sharing agreements with Bell Canada Enterprises Inc., and one of its subsidiaries. These agreements may be terminated by either party after giving 180 days prior notice.

Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.



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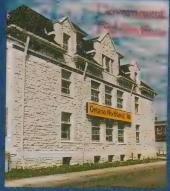
COntario Northland® TRANSPORTATION COMMISSION

Annual Report

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Ontario Vorthland







PROVINCE OF ONTARIO

Honourable David Peterson
Premier
Honourable Rene Fontaine, Minister
Northern Development and Mines

COVER THEME PEOPLE OF THE O.N.T.C.

(Photographs by Gisela Ball)

85th
ANNUAL REPORT
of the
ONTARIO NORTHLAND
TRANSPORTATION
COMMISSION

for the year ending December 31, 1985



MINISTRY OF NORTHERN DEVELOPMENT AND MINES

The Honourable Lincoln M. Alexander P.C., Q.C., C. St.J., B.A. Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 85th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1985.

Respectfully submitted,

Rene Fontaine,

Minister.

June 9, 1986

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Rene Fontaine, Minister of Northern Development and Mines, Parliament Buildings, Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1985 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully, J.W. Spooner, Chairman.

May 26, 1986

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

- J.W. Spooner, Chairman, Timmins
- M.P. Boreham, Commissioner, Elliot Lake
- P.A. Burns, Commissioner, Dryden ... retired March 31, 1985
- N.G. Forth, Commissioner, North Bay
- G.J. Gagnon, Commissioner, Hearst ... appointed June 12, 1985
- N.M. Karam, Commissioner, Cochrane
- A.D. Mortson, Commissioner, Englehart
- R. Motlong, Commissioner, Sioux Narrows ... appointed April 1, 1985
- M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS

- P.A. Dyment, General Manager
- D.E. MacDougall, Assistant General Manager
- K.J. Moorehead, Senior Operating Officer Rail
- K.J. Wallace, Senior Officer, Marketing and Passenger Services
- R.L. Moore, Senior Director, Customer Services and Public Affairs

Mr. J.W. Spooner Chairman

North Bay, Ontario May 5, 1986

The following report of Ontario Northland Transportation Commission year ending December 31st, 1985 is respectfully submitted.

During the past year the Ontario Northland Transportation Commission has, through its diverse activities, accomplished a threefold object.

First, our operations in all areas performed steadily and efficiently thereby continuing the aura of stability that has been our trademark in northern Ontario for eight decades. Our commercial operations in all produced revenues of \$92,134,773 resulting in an income of \$16,100,184; our non-commercial operations were also steady, producing a net gain from operations. In addition we have been able to continue the policy of reducing the unfunded pension liability through an extra payment in 1985 of \$3,001,118. It is pleasing to report also that for the fourth consecutive year the Commission has been able to grant an ad hoc increase (4%) to pensioners.

Second, several special and exciting new projects — some ongoing — have contributed to the sense of pride that is apparent among our people, and concurrently enhanced the stature of the Commission. Those which come most readily to mind are the new head office, the seniors' apartment complex, the refreshing effectiveness of the Dash-8 aircraft, the continuing transformation of the GO Transit coaches into first class passenger coaches and the introduction of fiber optics into our telecommunications system.

Third, and perhaps most pleasing, has been the positive response of our personnel to changing circumstances and new technology. The New Passenger Services unit and the Customer Services Department exhibit the willingness and the capacity to innovate and meet change. The Railway's Mechanical Department has responded admirably to the introduction of challenging and dramatic alterations in management and production activities and methods. And there are many other examples of how the workers of Ontario Northland are making things happen.

On the following pages is more detail about the year's performance and we have taken advantage of this opportunity to show how our operations are consistent with the overall objective: to provide a transportation and communication link within Northern Ontario and, just as importantly, to and from the south.

Yours truly,

P.A. Dyment, General Manager.

REVIEW OF OPERATIONS

Two major and exciting new projects of 1985 epitomize the longstanding commitment of the Ontario Northland Transportation Commission to the north. The first came when the Planning Department finalized plans for a six story, 65,000 square foot building in North Bay in order to consolidate all general office space for the several O.N.T.C. operations. For the Commission, this move will have the advantage of centralizing its activities which currently require six different locations in the city.

The plans were completed by a North Bay architectural firm and submitted to tender on June 13, 1985. At the Commission's meeting of July 31, 1985 the contract for \$4,960,000.00 was awarded to a northern Ontario construction company which moved onto the Oak Street site on August 19 to begin layout and excavation work. Work on the steel reinforced, poured concrete structure continued through the winter and completion is scheduled for August 31, 1986.

The second project concerns the construction of a 118 unit apartment complex adjacent to the new office building. Conceived as an investment for the O.N.T.C. Employees Pension Fund, the apartments are being designed to accommodate retired O.N.T.C. employees, with the goal being to provide housing somewhat better than that currently offered on the North Bay rental market. The preliminary and planning discussions. conducted in 1985, provided specifications and plans which should allow the construction schedule to begin early in 1986 and to reach completion in the spring of 1987. To insure that the structure would indeed meet the intended needs, input for the plans was solicited from and provided by a special committee. It included representatives of the retired O.N.T.C. Employees, Labour and several other local, interested and informed groups.

These new buildings will serve two purposes. The centralization of head office facilities will increase efficiency and improve the image of the Commission's operations. The apartment complex will benefit former and present employees by providing housing for the former and a good investment for the latter. Concurrently the benefits to the city of North Bay, both financially and aesthetically, are obvious. An additional feature of these projects is the decision to retain the original limestone structure on Oak Street, at Regina Street, as an historic building and ultimately as an archival centre and museum. The ancillary decision, also made in 1985, to appoint an archivist will add further to this enterprise.

As dramatic as these new developments may be, they should be seen simply as the most recent examples of the Commission's increasing determination to serve the north as its primary communications link. The day to day, month to month operations, described in outline below, strive for that goal on a regular basis.

RAIL SERVICES

Extensive progress characterized the past year in terms of our motive power, car capacities, rail quality, contract work and special projects. The net result has been a decisive declaration of the Commission's determination to maintain our rail services at a high and competitive level.

In keeping with the policy of maintaining equipment in good repair one diesel locomotive was overhauled completely and another was equipped with a winterization package to increase its efficiency when used for snow plough service. Other locomotives are scheduled for similar modifications in 1986. A significant innovation has been the installation, during 1985, of throttle reduction switches on road freight locomotives Because this switch allows the engineer to lower the throttle position on the lead locomotive, it means that he can eliminate the lurching on heavy trains climbing steer



grades, resulting in smoother and safer rides.

Our Mechanical Department has also begun a programme of upgrading posts on the 4500 series of pulpwood flat cars. The intent is to reduce the need for repair, and in 1985, twenty-three flat cars were modified accordingly. Another project concerned our surplus 10500 series bulkhead flats. Fifty of these were redecked and subsequently leased to CP Rail, thus bringing some unexpected revenue to Ontario Northland. In addition, this department built a new kitchen and generator car for the use of Maintenance of Way work gangs. A much larger project, the complete refurbishing of a Northlander Train set, began in September of 1985, with completion expected in the spring of 1986.

The range of contract work conducted during 1985 attests to the high quality of the O.N.T.C. shops. A programme calling for the overhaul and modification of GO





Transit locomotives was begun in February, 1983. GO unit No. 704 was the last to be overhauled. It was one of three completed in 1985 and the eleventh to be overhauled and modified during this three year programme which generated additional revenue for the O.N.T.C. Our shops, furthermore performed wheel work for several firms. And through other contracts eight locomotives were repaired and modified by our Mechanical Department.

In a similar fashion, the Engineering Department can report a series of striking improvements throughout the length of the line over the past year.

- The programme of rock ballasting between Cochrane and Fraserdale was completed with the application of some 54,000 tons of crushed rock between Mileages 52 and 70.



- At year's end the modern Maintenance of Way Repair Facility at North Bay was close to completion.
- Maintenance on the main line included the replacement of 9.7 miles of worn rail with new continuous welded rail, the laying of 13 miles of secondhand rail, the replacement of 37,350 track ties, and the upgrading of 14 sets of switch ties.
- On the Kirkland Lake branch, flashing light protection was installed on two crossings. Also, a new hot wheel detector was installed at Wawbewawa, north of Englehart, and one hot box detector recorder was upgraded.
- At Moosonee a modern steel bridge over Store Creek replaced the old timber trestle; the Frederick House River bridge received major structural repairs; and elsewhere two treated timber bridge decks were replaced and one bridge was repainted.





The Transportation Department cannot boast of new plans or special enterprises. The nature of its task precludes such claims. Rather it can be observed that the two hundred and thirty or so men and women of this branch have taken advantage of the new equipment and, by taking advantage of opportunities such as consolidating trains, have operated the rolling stock efficiently and competently.

A very special project — and a major one — was set in motion when the Commission announced in 1984 that it would be acquiring twenty single level commuter coaches from GO Transit. In 1985 the purchase was completed, and all twenty cars were on our property by early December. The goal is to strip these cars completely and refurbish them as first class main line passenger cars for our line. In addition the Commission acquired seven used B Locomotive units, which are to be converted into auxiliary power units (APU) to provide the requisite power source for the converted passenger cars. Because these

two major conversions require services and skills which transcend our various departments, a special ad hoc unit — titled New Passenger Services — was set in place. With some assistance from Amtrack consultants, this unit is expected to co-ordinate the various Ontario Northland departments which will be involved as well as to seek skills from without when required.

With the special unit in place and the two purchases completed, work on the GO cars began in 1985. Four cars were completely stripped and prepared for the reconstruction of the new interiors and subsystems. Preparation of the necessary specifications and design engineering work also proceeded at a fast pace; and the process for the procurement of materials and equipment was likewise begun. It is expected that this activity — procurement and reconstruction — will move quickly in the new year. The goal calls for the completion of at least one APU and three passenger cars in the new year.

TELECOMMUNICATIONS

Two years ago the **Annual** Report highlighted the O.N.T.C.'s telecommunications branch and predicted the introduction of fiber optics transmission facilities into the system. This possibility became an exciting reality in 1985 when a fiber optic link was installed between the Timmins central office and the Timmins radio site. This state of the art development renders the transmission of messages immune to atmospheric conditions and Ontario indicates Northland's determination to provide the most refined and sophisticated technology available.

But this new venture is simply the most dramatic illustration of Ontario Northland Telecommunications' efforts to improve its services to the north. The major portion of a new digital microwave radio facility between Smooth Rock Falls and Timmins was also completed in 1985, thus providing a system of communication that is considerably more accurate than its predecessor for transmitting data, and



much cleaner for voice transmission. In addition the past year saw work begin on a programme calling for the replacement of diesel generator units as the prime source of power for the Onakawana and Renison microwave radio sites. In future, power for these two far northern locations will be provided by Ontario Hydro's high voltage line. By using new advances in voltage transformer design, Ontario Northland Telecommunications can tap into Ontario Hydro's facilities, thereby securing a power source that is less expensive and more dependable. The latter consideration is particularly significant in view of the intensely cold northern winters, during which repairs can prove to be extremely difficult and very awkward to conduct.

Another area of progress has been the realization of improved local service and increased capacity through the installation of new local telephone cable at Temagami, Temagami Lakes, Marten River and Moosonee. As well, planning has begun for the installation of a modern local digital switching facility at Moose Factory and a new digital toll switch at New Liskeard.

Reports of these several innovations and developments is made all the more pleasant by the fact that telecommunications revenues increased by more than eight per cent in 1985. Most of this

increase can be attributed to long distance toll revenues, which increased by nine per cent due to an increase in the total number of messages carried by our system. Because of this increased revenue and a continued control over expenditures, the net income for the section actually rose by more than ten percent.

telecommunications industry in general continues to be very exciting. The introduction of such new technologies as digital switching and fiber optics transmission has provided new levels of efficiency and economy simultaneously changing the manner in which business is conducted. This trend is likely to continue. Accordingly, Ontario Northland Telecommunications continue to adapt to changes in order to persist in its habit of providing modern services to the communities of northeastern Ontario. This high goal can be achieved by using the new technologies and by relying on the dedicated efforts of its highly trained, highly educated employees.

FREIGHT SERVICES

During 1985 our rail freight was stable, handling 5,200,573 net tons and generating \$46,988,449 in revenue, a decline of less than one per cent from 1984. Within this division considerable optimism is in order for 1986.

It can be observed, for example, that shipments of sulphuric acid increased over the past twelve months due to improvements in production and continuing good markets. Our line also obtained various new blocks of traffic. In addition the traffic in iron pellets, an important commodity, remained stable. Northern mines shipped a total of 35,647 carloads of pellets over our line during 1985.

Yet it cannot be denied that we endured some set-backs in 1985, often because of circumstances beyond our control. The weakening of most foreign currencies against that of the United States was one



such factor. It had the effect of that country importing newsprint and pulp from an increasing number of foreign exporters of these commodities. This development had a deleterious effect on Canadian producers of these products, some of whom are our customers. Because some customers tended to reduce their inventories or, in some cases, producers in the lumber industry used truck deliveries, there was a slight decline in the movement of newsprint and pulp by rail. Ironically in some cases our own freight services actually carried slightly more than in 1984. For example we carried 3598 carloads of newsprint in 1985 as compared to 3231 in 1984. In general, however, we experienced a small decline in the total carload freight when all areas are considered. This latter reduction appears to be related to continuing problems in the markets for copper and zinc, the latter having decreased some 27 per cent over the year. The overall decline, however, is minimal, and we can look to 1986 with the same optimism that is held by many of our customers who fully

expect that the markets, and prices, for their products will improve.

For Star Transfer Limited, the past year was predominantly one of consolidation, re-grouping and preparation. Early in the year, a comprehensive customer survey indicated a need for more direct customer contact. This resulted in the establishment of several new sales positions which, it is expected, will enhance the presence of Star and of Ontario Northland in northern Ontario and concurrently secure a larger sales volume. Similar results can be expected from other preparatory steps. For example, the firm returned its leased trailers and subsequently acquired sixteen new 48 foot tri-axle vans which have become the pride of our fleet. It can also be reported that the agreement, noted in last vear's report, between Star Transfer and a southern Ontario carrier has resulted in the re-emergence of truckload services from southern Ontario.

Express services also received a boost in status when it moved its Kirkland Lake operation into refurbished facilities, shared with Star Transfer, late in the year. This branch also put three new replacement pickup and delivery units into service in 1985. Although Express Services experienced a slight 3 per cent decrease in shipments because of the closure of the Noranda operation, revenues were maintained at the same level as 1984.

It is not surprising, therefore, that a feeling of optimism prevails, with 1986 plans calling for the following:

- The merging of Transport and Express Services.
- A new terminal location in North Bay.
- The acquisition of some new equipment.
- The refining of transport schedules to meet the needs of northern Ontario customers.
- The refining and upgrading of Star Transfer's accounting, communications and data processing department.

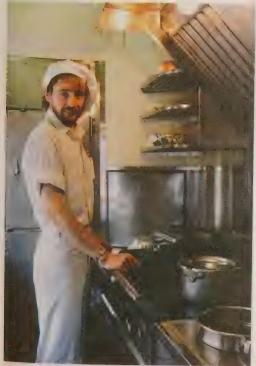
PASSENGER SERVICES - RAIL

O.N.T.C. rail passenger services illustrated once again in 1985 the importance of this operation for northeastern Ontario. After several public meetings with residents and business people of the Moosonee-Moose Factory Development, the Commission agreed to operate the regular Moosonee mixed passenger train, popularly known as "the Little Bear", on a twice-weekly schedule for the second consecutive year. To serve the far northern points further the O.N.T.C. added an extra car to the Polar Bear Express once a week to handle special commodities such as fresh milk. Meanwhile, at the other extremity, the Commission opened a new sales office, in January, at 65 Front Street West in Toronto's Union Station. This new location provides Ontario Northland with greater exposure than the previous Bay street site, as well as offering greater accessibility for rail passengers and freight customers.



Actual ridership on our several train routes was relatively stable in 1985. On the overnight train between Toronto and northern points — the Northland — and or the Little Bear between Cochrane and Moosonee, our crews served a total or





62,604 passengers in 1985. This was a decline of 3981 from 1984; but the Northlander carried 57,003 passengers, an increase of 629. And the Polar Bear Express increased its passenger total by 6.5%.

PASSENGER SERVICES - BUS

Bus operations during 1985 can be described in general terms as consistent and stable. Our fleet continued to serve the communities of northeastern Ontario between North Bay and Timmins and from Matheson to Wawa with regularly scheduled routes. Passenger ridership and revenues for this in line service experienced a minimal — 5 per cent — decline. Along these same routes, however, Bus Parcel Express revenues rose by 3 per cent, due partly to a tariff increase. The volume of parcels rose by 2 per cent.

There were difficulties in selling some of our tour packages into the United States,

the most serious being the continued weakness of the Canadian dollar against U.S. currency. As a result tour ridership declined by 13 per cent. On the other hand O.N.T.C. charter business grew very well during 1985. Charter ridership rose by 18 per cent which translated into a 10 per cent increase in revenues. If the two services are combined, it can be observed that the total number of persons carried by our charter and tour services rose from 8456 in 1984 to 9684 in 1985, a figure which reflects the ability of our personnel to adjust to changing conditions, including the international exchange rate and the decrease in the size of our fleet by one bus due to an unfortunate accident.

The Commission also continued its ongoing study of the existing frequency of service in northern Ontario in an effort to maintain operating costs within the parameters dictated by revenues.

NORONTAIR

When norOntair introduced the Dash-8 aircraft of de Havilland of Canada, it was the first airline to do so. The performance of this aircraft during 1985, its first full year of service, reinforces the correctness of the Commission in making this decision. It has proven to be extremely popular among passengers and very effective. In a single day its route includes Sault Ste. Marie, Sudbury, Timmins, Kapuskasing, Timmins, Kapuskasing, Timmins, Sudbury, Sault Ste. Marie, Thunder Bay and Sault Ste. Marie. So reliable is this airplane that it is considered likely that its workload can be expanded beyond even this impressive schedule.

When Hearst was added to our service in June 1985, it increased the number of northern centres served by our airline to 21, either by the Dash-8 or by our Twin Otter and Navajo aircraft. The addition was considered a natural extension of norOntair's existing service and also consistent with the intent of O.N.T.C. to serve northern Ontario where required and practicable.

Needless to say, the Dash-8 provided the focus for norOntair's activities in 1985, but it also offered many operational and practical challenges. In this, however, norOntair was able to achieve an approximately 99 per cent mechanical reliability average, which is outstanding for a new aircraft. Furthermore, as part of its mandate in introducing the Dash-8, throughout the year norOntair provided advice to several Dash-8 operators and prospective operators.



In general, the past year witnessed a three per cent growth in passenger boardings to a total of 90,641. This growth took place in spite of very sharply increased competition at several locations, especially at Kapuskasing and Kenora. The unique structure of norOntair, a combination of private and public enterprises, would appear to be well suited for the north.

MARINE SERVICES

The Commission operates three large and specialized water craft on three very large and very diverse bodies of water.

On Georgian Bay the M.S. CHI-Cheemaun completed its eleventh year of ferry service for passengers and motor vehicles between Tobermory and South Baymouth. This impressive craft (featured in last year's Annual Report) sailed its route twice



daily in the late spring and early fall, and made four return trips during the peak period from June 21 to September 2. Unfortunately a mishap during a dense fog in mid-August required that the Chi-Cheemaun be removed from service briefly for temporary dry docking. During 1985 fares were held at the 1983 level. Other efforts to increase the spring and fall traffic, such as volume discounts and lower rates for walk-on same day return, did not produce the expected results; but the 1985 season nonetheless saw the Chi-Cheemaun carry 239,585 passengers and 80,944 vehicles both of which were marginally greater than last year.

The M/V Manitou Island II operates on James Bay, largely as a ferry service for passengers and supplies between Moosonee and Moose Factory. The importance of this service, set in place by the O.N.T.C. in 1977, seems to grow each year. This was demonstrated this past year by increased revenues in all phases — passenger, freight and charter — of its

operations. The 11.5 per cent general increase, however, tells only part of the story; equally significant was the increase in passenger traffic to 4968 from 2879. Since much of this increase resulted from the carriage of students between the island and the mainland, it seems clear that the **Manitou Island II** is becoming an integral part of the local community whose population is undoubtedly pleased that the vessel received the extensive machinery repairs it required during refit.

These two vessels are clearly service oriented, and form vital links between the communities they serve. The M/V Chief Commanda II, operating from North Bay on Lake Nipissing also acts in a service capacity by providing a communication link - for passengers and supplies - with the upper French River. This was the original mandate, but because other methods of communication now provide access to the upper French River, the Chief Commanda II's orientation has changed to that largely of a tourist or pleasure craft. In this it has been immensely successful and this success carried through 1985. Regular sailings increased by 8.5 per cent over 1984, chartered sailings carried 60 per cent more people, total revenues generated by this craft rose by 26 per cent, and in 1985 a total of 20,294 passengers sailed on the Chief Commanda II marking it as a major tourist attraction in the North Bay area. This past year, after eleven seasons, the "Chief" received a refurbishing of its interior decor.

TOURISM AND PUBLIC AFFAIRS

The popularity of the Polar Bear Express continued to grow in 1985. During its four months of operation 21,454 passengers enjoyed the excursion from Cochrane to Moosonee.

The Hannah Bay Goose Camp operation also enjoyed a successful year, due partly to the U.S.-Canadian dollar exchange rates. Bookings increased from 119 in 1984 to 143 in 1985, resulting in a profit of approximately \$30,000. The hunting

success ratio of 61 per cent was similar to last year.



The Polar Bear Express and the Hannah Bay Goose Camp are two O.N.T.C. enterprises which can be categorized as tourist attractions. The same is largely true for the Chief Commanda II. But it should also be observed that each facet of O.N.T.C. contributes, albeit in an ancillary fashion, to the tourist industry in northern Ontario.

The Commission also sponsored in 1985, several special activities which contributed, in a social sense, towards its efforts to act as a unifying influence in the north. The most dramatic was probably the decision to run the Santa Claus Express again, thereby carrying thousands of youngsters to the "north pole". It is expected that this event, which provided enjoyment for the children and certainly announced clearly the presence of the O.N.T.C., will continue in the future. The Commission is also proud of its sponsorship in five sporting-social events.

- The Northern Ontario Golf Association Annual Tournament.
- The Northern Ontario Golf Association Annual Tournament for Seniors.
- The T. & N.O. Curling Bonspiel.
- The T. & N.O. Curling Bonspiel for Seniors.
- The O.N.R. Englehart Curling Bonspiel.

With the exception of the last, these events are held in various northern locations, thereby permitting northerners to meet and to mix. There is also the added opportunity of O.N.T.C. personnel interfacing with our customers. Opportunities for our personnel to interface with each other, and with each other's families, were provided by our third annual Family Safety Day Picnic.



HUMAN RESOURCES

The proper husbanding of human resources — past and present — is, in the minds of many, the most significant measurement of an organization's success. In this regard the record of the Ontario Northland Transportation Commission is laudable, and this characteristic continued through 1985.

On September 30, 1985 the Commission formally appointed an Employment Equity Officer. This person was charged with the task of (1) reviewing O.N.T.C.'s Hiring and Promotion Policy and (2) co-ordinating a programme that will ensure that all qualified and available persons are given an equal opportunity to be hired and/or promoted. The goal — indicated in the position's title — is to provide an equitable environment for all 1600 of our employees

The appointment itself is also a commitment to ensure that women, the handicapped, native people and visible minorities are represented and treated fairly at all levels of the Commission's work force. The results of the Employment Equity Programme will not be evident until the required seminars and employee in-put has taken place. These are scheduled for the early months of 1986.



Past and longstanding employees received attention in 1985. For the fourth consecutive year, a 4% ad hoc increase was granted to all pensioners. This will affect those persons who retired prior to December 31, 1983. Pensioners were also offered a direct bank deposit system as well as receiving several improvements to the general Pension Plan. Pre-retirement seminars continued during the year, thus meeting the overall objective of providing retirement advice to all employees between ages 50 and 55.

Emphasis on health and safety remained a feature of O.N.T.C. operations during 1985.

This included the implementation of a new safety audit system and the compilation of Safety Data Sheet Manuals concerning all hazardous materials used by our employees. These manuals were distributed throughout the system.

Seminars and training sessions again played a dominant role in the Commission's efforts to raise the general awareness among all personnel of the importance of safety. Mechanical Department supervisors attended a one day seminar on the theme of "Safety, Health and the Law". Designed by officials of the Industrial Accident Prevention Association (I.A.P.A.), this session was intended to provide the foremen with greater knowledge of their responsibilities under the Occupational Health and Safety Act. The I.A.P.A. also conducted various other seminars which were attended by representatives of labour and management from the various Health and Safety Committees. Topics included hazard recognition, safety and health committees, crane slingers and accident investigation. The Ministry of Labour and the O.N.T.C. itself also sponsored seminars in the field





of health and safety. In all, 127 employees participated in these gatherings. One innovation was the implementation of the Fork Lift Operator training seminar. This consisted of a one day classroom session and a driving test, the purpose being to qualify operators in the safe handling of fork lift equipment. Similar training courses for operating trackmobile and Pettibone equipment are planned for early 1986.

Our own Safety and Health Department directed specialized training in accident investigation and in first aid. The general results of this concern for health and safety was a 26 per cent decrease in lost time injuries among employees and an overall reduction in total injuries of 9.7 per cent. This happy consequence was offset somewhat by an increase of 4.9 per cent in the total lost man days. Emphasis on safety and health will continue throughout our operations. Specialized training in accident prevention as well as a Back Care Programme are among the areas of particular concern.

In the area of Labour Relations, the pas year saw several interesting develop ments, some of which were firsts for the O.N.T.C.

- The Telecommunications group bargained locally for the first time. Here an eighteen month contract was achieved.

 Ontario Northland signed a Maste Agreement with the Non-Operating

Unions for a two year term.

 Also, for the first time, the Shop Craf Unions and the Carmen bargained separately. With the former, Ontario Northland signed a unique Employmen Security Agreement which covered this vital issue and which, by all accounts benefits both the employees and the Commission.

 Contracts were also negotiated with the U.T.U., the Bus Operating Group, the Seafarer's Union, the Canadian Marine Officers Union and Star Transfer Throughout these settlements wage increases averaged four per cent.

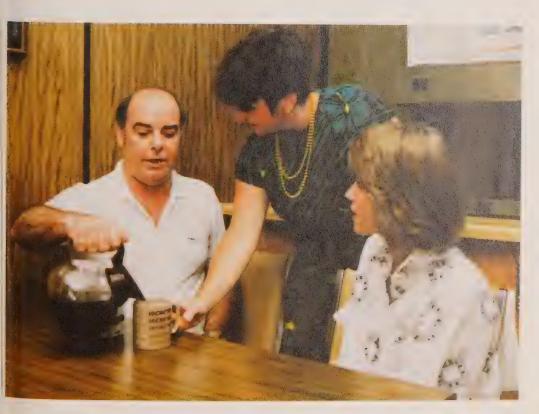




Management training continued during 1985: Five in-house specialized Customer Training packages were presented to 120 persons; one hundred and seventy-four managers and supervisors participated in the Interaction Management Programme;

and sixty current and potential supervisors participated in Assessment Centres to assess managerial skills.

The general impression given by a review of our operations over the past year is that of an organization that is competent and steady, and yet one which is innovative and progressive. The creation of the New Passenger Services unit is an illustration of our willingness and ability to re-structure when necessary. Another example was the creation in 1985 of a Customer Service Department which was given the responsibility of interfacing with all land transportation customers, including carload freight, express and transport, bus parcel express and rail and bus passengers. The major new projects, such as the new office centre, are very noticeable and very dramatic. But within each department our people are optimistic, and committed to performing — and improving — their roles.



Consolidated Balance Sheet

as at December 31, 1985

Assets	1985 \$	1984
Current Assets Cash and short term investments Accounts receivable Materials and supplies Prepaid expenses	1,993,753 15,812,081 5,532,673 175,163	4,681,75 13,148,26 4,328,38 234,35
	23,513,670	22,392,76
Long Term Investments - at cost Government bonds (market value \$22,596,000; 1984 - \$27,030,000)	19,767,627	25,883,12
Other Assets - at cost Self insurance fund (note 2) (market value \$1,718,000; 1984 -		
\$1,362,000)	1,538,448	1,273,99
Bus Franchises Investment in Telesat Canada	297,679 150,000	297,67 150,00
	1,986,127	1,721,67
Investment in Property - at cost less accumulated depreciation		
(schedule 1) .	169,729,826	156,327,12
	214,997,250	206,324,68

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1985 \$	1984
Current Liabilities		
Accounts payable and accrued charges	15,657,700	18,575,793
Deferred Revenue (note 5)	1,602,856	
Provision for Self Insurance (note 2)	1,538,448	1,273,996
Long Term Debt		
Note due Province of Ontario	_	13,000,000
non-interest bearing	35,207,935	35,207,935
	35,207,935	48,207,935
Province of Ontario Equity		
Contributed surplus	24,752,416 136,237,895	20,328,060 117,938,901
	160,990,311	138,266,961
	214,997,250	206,324,685

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1985 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Development and Mines

Toronto, Ontario. April 18, 1986.

D.F. Archer, F.C.A., Provincial Auditor.

Consolidated Statement of Income

	1985 \$	1984
Operating Revenues	00.404.000	
- Commercial (schedule 3)	92,134,773 14,026,231	91,438,854 13,791,286
Total Operating Revenues	106,161,004	105,230,140
Operating Expenditures		
- Commercial (schedule 3) - Non Commercial (schedule 4)	76,034,589 35,984,275	73,379,254 34,144,512
Total Operating Expenditures	112,018,864	107,523,766
Loss from operations before the following	5,857,860	2,293,626
Investment Income		
Interest Expense Interest Earned	(901,818) 3,778,721	(2,073,555) 4,077,447
Gain on sale of bonds	415,024	
Net Investment Income	3,291,927	2,003,892
Special Payment to Pension Fund (note 3).	3,001,118	3,837,000
Net loss before Government reimbursement	5,567,051	4,126,734
Government reimbursement (schedule 2 and note 4)	23,866,045	21,576,020
Net income for the year	18,298,994	17,449,286

Consolidated Statement of Retained Income

for the year ended December 31, 1985

	1985 \$	1984
Balance, beginning of year	117,938,901	100,489,615
Add net income for the year	18,298,994	17,449,286
Balance, end of year	136,237,895	117,938,901

Consolidated Statement of Contributed Surplus

	1985	1984
Balance, beginning of year.	20,328,060	13,534,751
Add: — norOntair aircraft and associated equipment	6,140,715	8,024,206
Capital expenditures of The Owen Sound Transportation Company,		
Limited	79,051	91,299
	26,547,826	21,650,256
Less: depreciation charges for the year	1,795,410	1,322,196
Balance, end of year	24,752,416	20,328,060

Consolidated Statement of Changes in Financial Position

	1985 \$	1984
Operating Activities Cash provided from (used in) operations		
(see below)	(4,459,297) 23,866,045	4,206,180 21,576,020
	19,406,748	25,782,200
Financing Activities	0.040.700	0 115 505
Capital reimbursement from the Province	6,219,766 (13,000,000)	8,115,505 (9,500,000
	(6,780,234)	(1,384,495
Investing Activities Net investment in fixed assets Purchase of bonds Proceeds from sale of bonds Proceeds from sale of fixed assets	(22,527,899) (6,999,688) 13,720,900 492,172	(19,999,594 (9,443,663 2,000,000 792,668
	(15,314,515)	(26,650,589
Decrease in cash and short term investments during the year.	(2,688,001)	(2,252,884
Cash and short term investments, beginning of year	4,681,754	6,934,638
Cash and short term investments, end of year	1,993,753	4,681,754
Cash provided from (used in) operations is derived as follows:		
Net loss before Government reimbursement	(5,567,051)	(4,126,734
Add (deduct): Depreciation Amortization and gain on sale of bonds Gain on return of leased trailers Decrease (increase) in accounts receivable Increase in material, supplies and prepaids Increase (decrease) in accounts payable Increase in deferred revenue.	6,929,209 (605,719) (91,589) (2,663,816) (1,145,094) (2,918,093) 1,602,856	6,710,144 (175,592 — 1,151,431 (504,352 1,151,283
Cash provided from (used in) operations	(4,459,297)	4,206,180

Schedule of Investment in Property

as at December 31, 1985

Schedule 1

	1985 \$	1984
Rail - Roadway	102,227,019 13,914,751 40,858,795	97,044,988 13,084,202 41,976,741
Telecommunications	52,885,634	52,418,192
Buses	2,315,162	2,233,890
Boats	927,413	927,413
norOntair - aircraft	15,525,610 1,967,198	12,652,727 1,090,858
Remote North power and communications	278,298	259,517
Star Transfer Limited - vehicles	2,516,418 882,678	3,034,171 861,127
The Owen Sound Transportation Company, Limited - vessel other	9,665,356 395,158	9,665,356 320,291
Gross investment in property	244,359,490	235,569,473
Less accumulated depreciation	85,529,696	83,187,015
Net investment in property	158,829,794	152,382,458
Under construction	10,900,032	3,944,671
	169,729,826	156,327,129

Schedule of Provincial Government Reimbursement

Schedule:

	1 <mark>985</mark>	1984
From Province of Ontario		
Cochrane - Moosonee branch line	7,784,932	7,737,78
Main line passenger train	5,697,229	5,678,72
Northlander	5,197,878	4,481,29
Remote North power and communications	89,406	249,72
Air services - norOntair	4,546,971	3,110,258
Moosonee ferry	91,656	50,726
	23,408,072	21,308,506
The Owen Sound Transportation		
Company, Limited	457,973	267,514
Total Provincial Government		
reimbursement (note 4)	23.866.045	21,576,020

Schedule of Commercial Operations

	1985 \$	1984
Rail Freight Services		
Revenue	46,988,449 40,627,108	47,426,816 38,527,952
Income from Operations	6,361,341	8,898,864
Express Services		
Revenue	1,203,772 1,399,147	1,197,356 1,390,385
Loss from Operations	(195,375)	(193,029)
Telecommunications		
Revenue (note 6)	36,165,548 24,248,686	33,369,197 22,948,708
Income from Operations	11,916,862	10,420,489
Bus Services	**************************************	
Revenue	3,849,863 4 ,256,401	3,867,906 4,090,274
Loss from Operations	(406,538)	(222,368)
Transport Services		
Revenue	3,391,239 4,704,335	5,226,205 5,921,176
Loss from Operations.	(1,313,096)	(694,971)
Marine Services (North Bay)		
Revenue	278,673 421,684	221,495 388,774
Loss from Operations	(143,011)	(167,279)
Tourist Facilities (Hannah Bay) Revenue	151,870	129,879
Expenditures	122,208	111,985
Income from Operations	29,662	17,894
Remote North Communications		
Revenue	105,359 255,020	_
Loss from Operations.	(149,661)	
Total Commercial Operations Operating revenues	92,134,773 76,034,589	91,438,854 73,379,254
Income from Operations	16,100,184	18,059,600

Schedule of Non-commercial Operations

for the year ended December 31, 1985

	1985 \$	1984 \$
Rail Passenger Services	E 20E ECO	E 404 10
Revenue	5,295,569 22,067,607	5,424,13 22,099,14
Loss from operations	(16,772,038) 18,680,039	(16,675,00 17,897,80
Net gain from operations	1,908,001	1,222,79
Air Services (norOntair) Revenue Expenditures	4,854,093 9,401,064	4,344,99 7,455,24
Loss from operations	(4,546,971) 4,546,971	(3,110,25
	<u>-</u>	
Marine Services (Owen Sound)	0.004.470	0.044.00
Revenue	3,684,472 4,142,445	3,611,66 3,879,17
Loss from operations	(457,973) 457,973	(267,51 267,51
Marine Services (Moosonee) Revenue Expenditures Loss from Operations Government reimbursement	68,157 159,813 (91,656) 91,656	61,11 111,83 (50,72 50,72
Remote North Communications Revenue	34,280 83,789	139,46 348,13
Loss from Operations	(49,509) 49,509	(208,67 208,67

Remote North Power Revenue Expenditures	89,660 1 29 ,557	209, 9 1 250,96
Loss from operations	(39,897) 39,897	(41,04 41,04
Total Non-commercial Operations Operating revenues Operating expenditures	14,026,231 35,984,275	13,791,28 34,144,51
Loss from Operations Government reimbursement	(21,958,044) 23,866,045	(20,353,22
Net gain from operations	1,908,001	1,222,79

See accompanying schedules and notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1985

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight line basis over the estimated service lives of the assets with the exception of vehicles which are depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - Main line and branches20 to 200 yearsRailway diesel locomotives25 yearsRailway cars33 yearsVessel33 yearsTelecommunications equipment15 yearsAircraft10 yearsBoats20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. Seif-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a \$100,000 premium paid by the Commission in addition to investment income earned on fund assets.

3. Contributory Pension Fund

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pensic Fund had an unfunded liability of \$16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965 Actuarial surplus identified as at December 31, 1984

\$19,443,107

2.505,743

\$16,937,364

The Commission and its subsidiaries will continue to make annual interest payments into the Fund in order prevent an increase in the unfunded liability. In 1985 this payment amounted to \$1,185,615 (1984 \$1,361,017).

In addition, in 1985 the Commission made an extra payment of \$3,001,118 into the Pension Fund.

4. Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry Northern Development and Mines, certain operations of the Commission and its subsidiaries have bee designated as non-commercial and receive annual operating subsidies, the details of which appear of Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosone branch line and main line passenger train services, allows the Commission to earn an annual rate of return equal to the lesser of 9.325 per cent and the actual rate of return earned on the total of the Commission commercial operations for the same year. For all other non-commercial operations shown on Schedule the subsidies equal the operating losses for the year.

5. Deferred Revenue

During the year, the Commission received \$1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eigremaining years of the original agreement.

6. Telecommunications Revenue Agreements

Telecommunications operations provide approximately 39 per cent (1984 - 36 per cent) of commerci revenues and 74 per cent (1984 - 58 per cent) of net income earned on all of the Commission's commerci operations. Approximately 77 per cent (1984 - 85 per cent) of telecommunications revenues depend of revenue-sharing agreements with Bell Canada Enterprises Inc., and one of its subsidiaries. The agreements may be terminated by either party after giving 180 days prior notice.

7. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

Contributory Pension Fund

Statement of Transactions and Fund Balance

for the year ended December 31, 1985

	1985 \$	1984 \$
Receipts		
Contributions (note 1a)		
Employees	1,886,390	1,881,450
benefits	1,910,160	1,905,998
(note 2)	4,186,733	7,257,150
Income from investments (note 1a)	7,983,283	11,044,598
Interest and dividends Net gain on disposal.	14,637,886 1,598,319	12,501,180 305,876
	16,236,205	12,807,056
	24,219,488	23,851,654
Disbursements		
Pensions paid directly to pensioners	7,076,620	6,219,676
and interest	196,852	241,527
	7,273,472	6,461,203
Increase in the fund for the year	16,946,016	17,390,451
Fund balance, beginning of year	125,838,640	108,448,189
Fund balance, end of year	142,784,656	125,838,640
Consisting of: Assets		
Cash and short term investments,		
at cost	5,616,750	179,779
\$3,796,000; 1984 - \$4,284,000)	3,714,261	4,273,669
Accounts receivable Bonds, at cost (market value	369,233	190,402
\$143,026,000; 1984 - \$117,100,000)	132,963,217	120,943,734
value \$81,000; 1984 - \$187,000)	121,195	251,056
	142,784,656	125,838,640

See accompanying notes to financial statements.

Approved on behalf of the Board:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Contributory Pension Fund Notes to Financial Statement

December 31, 1985

1. Significant Accounting Policies

(a) Basis of Accounting

This statement has been prepared on the cash basis of accounting, except for contributions whi have been recorded on an accrual basis.

(b) Administration Expense

The cost of administration was borne by the Ontario Northland Transportation Commission.

2. Unfunded Liability

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pensi Fund had an unfunded liability of \$16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965

\$19,443,107

Actuarial surplus identified at December 31, 1984

(2,505,743) \$16,937,364

The Commission and its subsidiaries will continue to make annual interest payments into the Fund in order prevent an increase in the unfunded liability. In 1985, this payment amounted to \$1,185,615 (1984 \$1,361,017).

In addition, in 1985 the Commission made an extra payment of \$3,001,118 into the Pension Fund.

3. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines.

I have examined the statement of transactions and fund balance of the Ontario Northland Transportation Commission Contributory Pension Fund for the year ended December 31, 1985. My examination was made accordance with generally accepted auditing standards, and accordingly included such tests and oth procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the assets of the Fund as at December 31, 1985 and receipts and disbursements for the year then ended in accordance with the basis of accounting described note 1a, applied on a basis consistent with that of the preceding year.

Toronto, Ontario, April 9, 1986.

D.F. Archer, F.C./ Provincial Audito

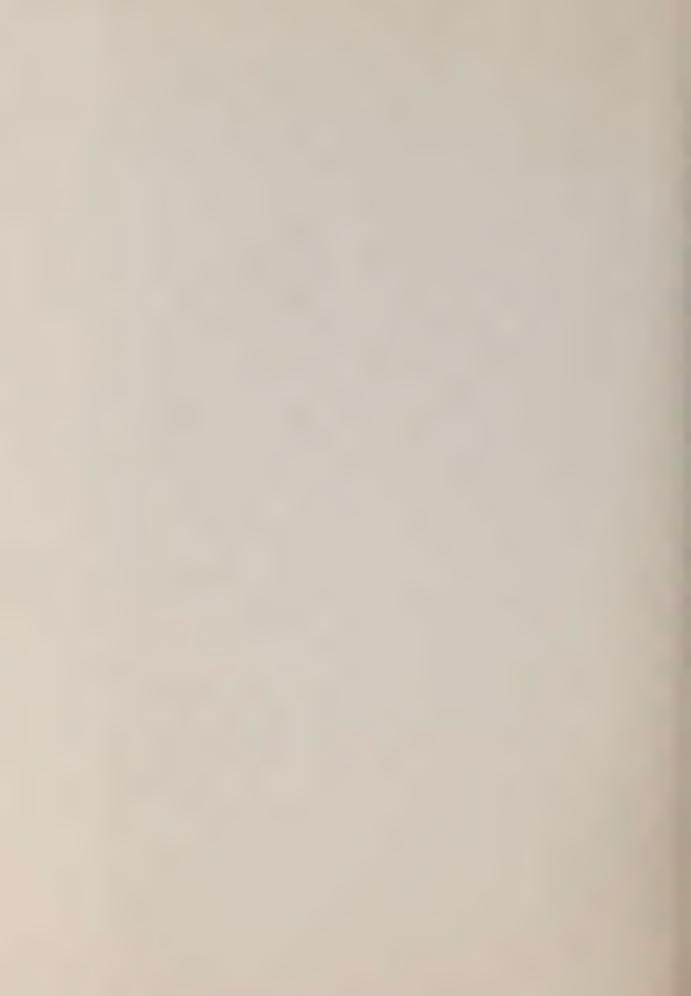


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1 9 8 6 A N N U A L R E P O R T





The 86th Annual Report of the
Ontario Northland Transportation Commission
for the year ending December 31, 1986





Ministry of Northern Development and Mines

The Honourable Lincoln M. Alexander P.C., Q.C., C.St.J., B.A. Lieutenant-Governor of the Province of Ontario

May it please your Honour:

I beg leave to present the 86th annual report of the Ontario Northland Transportation Commission for the year ending December 31,1986.

Respectfully submitted,

David Peterson
Premier and Minister of Northern Development and Mines

June 15, 1987



Honourable David Peterson
Premier and Minister of Northern Development and Mines
Parliament Buildings
Toronto, Ontario

Sir:

I beg to submit the annual report for the year 1986 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner Chairman, ONTC

June 1, 1987

- J.W. Spooner, Chairman, Timmins
- M.P. Boreham, Commissioner, Elliot Lake
- N.G. Forth, Commissioner, North Bay ... retired June 17, 1986
- G.J. Gagnon, Commissioner, Hearst
- N.M. Karam, Commissioner, Cochrane ... retired March 31, 1986
- A.D. Mortson, Commissioner, Englehart ... retired June 16, 1986
- R. Motlong, Commissioner, Sioux Narrows
- M.R. Wright, Commissioner, Sault Ste. Marie ... retired June 17, 1986
- W.B. Brayford, Commissioner, New Liskeard ... appointed June 18, 1986
- R.G. Brisson, Commissioner, Cochrane ... appointed April 2, 1986
- R.S. Lucenti, Commissioner, North Bay ... appointed June 18, 1986
- M.D. Sinclair, Commissioner, Sudbury 22, appointed June 18, 1986
- E.T. Sutherland, Commissioner, Moose Factory ... appointed June 18, 1986

Principal Officers

- P.A. Dyment, General Manager
- D.E. MacDougall, Assistant General Manager
- K.J. Moorehead, Senior Operating Officer Rail
- K.J. Wallace, Senior Officer, Marketing and Passenger Services
- R.S. Hutton, Director, Telecommunication Services
- E. Marasco, Senior Director, Passenger Services
- T. O'Connell, Counsel

An Historical Perspective

Visionaries could not have predicted the incredible timing of the growth of northeastern Ontario and the development of the Ontario Northland Transportation Commission system.

The first step towards the construction of a railway took place in 1900 when the Ontario Legislature uppropriated \$40,000 to defray the for locating a railway from North Buy to New Liskeard - a distance of 150 kilometres. The original survey hegan in 1901 and traversed rugged Supplies were taken in by canoe as there were no

North Bay was designated as the 400 thern terminus of the new provincia railway.

The Commission responsible for the new railway envisaged future development north of New Liskeard but they probably had not envisaged the almost immediate discovery of rich silver ore right on the railway's path near what is today Cobalt.

similar strikes at Porcupine Lake, Larder Lake, Gowganda Lake and Kirkland Lake in Ontario, and Rouyn in Quebec.

The Temiskaming and Northern Ontario Railway (T&NO) as it was then called seemed to be in the right place at the right time. Its growth kept pace with the north's expanding mining industries and provided a vital link between the small towns that seemed to pop up over-night along the railways corridor.

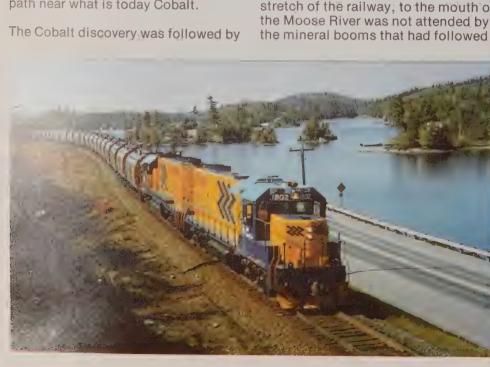
By 1912, the main line had been extended to Cochrane and new branch lines, such as those to the gold towns of Kirkland Lake and Porcupine (Timmins), were daily taking out minerals and timber and bringing in men and materials.

The T&NO had nearly 1500 employees on its payroll by 1914 and was a major employer in the region.

The construction of the final northern stretch of the railway, to the mouth of the Moose River was not attended by the mineral booms that had followed

the construction from North decades earlier, but it provide through World War I and the depression that followed.

By 1932, the T&NO Railway v completed to Moosonee and ONTC (re-named in 1946) bec process of lateral expansion. modernization and diversifica





day's Diversified Services

ONTC continues to play a vital in "bringing the North together" usiness and pleasure.

ervices are known to tourists as ders of interesting and unusual. For residents of the region, the C provides year-round eportation through a modern em of trains, airplanes, buses trucks and a telecommunication ork that brings radio, television elephone service to communities r north as those on the shore of son Bay.

I Services

io Northland Rail, the rail on of ONTC, today operates the lander, a regular passenger e from Toronto to Timmins; the land, a daily train from Toronto buskasing; the Polar Bear and the Little Bear, running en Cochrane and Moosonee.

its earliest years, the major n of the Rail Services is devoted transportation of minerals and r from the resource-rich North.

ecommunications

ormer T&NO had strung raph lines along its path, right its beginning. With the advent its beginning. The control of the con

Air Services

norOntair began operation in 1973 with two aircraft, serving Timmins, Sault Ste. Marie, Sudbury and Earlton. The demand for air service led to rapid growth and by 1980 norOntair was serving 21 communities. Its growth also saw the addition of the world's first Dash 8 aircraft, followed by an additional Dash 8 and one smaller aircraft.

Marine Services

ONTC operates three specialized water craft on diverse bodies of water. The most recent addition is the HV Manitou Island II, a passenger and cargo barge / ferry operating on James Bay, between Moosonee and Moose Factory. The ferry is an integral part of these communities and has also served to bring an increase of visitors on the Polar Bear Express.

Also serving residents, tourists and local business and industry is the passenger / motor vehicle ferry M.S. Chi-Cheemaun. The Chi-Cheemaun Stretch connects Tobermory with Manitoulin Island and offers a beautiful cruise on the Great Lakes.

It accommodates 140 cars and 600 passengers, providing meals and refreshments as it sails through the clear blue waters of Georgian Bay.

As well, there is an opportunity to "Sail a Legend", aboard the MV Chief Commanda II, an excursion through the corridors of time. Food and bar service is available on day cruises from North Bay to the Upper French River. The Chief Commanda retraces the path of the voyageurs across Lake Nipissing through a 40 mile cruise.



Bus Services

Regular bus service throughout northeastern Ontario between North Bay, Timmins, Hearst and Sault Ste. Marie, provides an important transportation service for residents and business. The buses also provide a connecting link with ONTC trains and airplanes.

Transportation

In transport, the 1960 acquisition of Star Transfer trucking lines has enabled the ONTC to offer customers a comprehensive shipping package that has remained competitive with national companies in the field.

In late 1986, the Star Transfer trucking operation joined with the Express Services to form an integrated "transport services" department for all highway transportation of freight.

The Ontario Northland Transportation Commission is a major employer in northeastern Ontario with approximately 1500 employees. Almost all residents and businesses in the area utilize some or all of our different services during the year.

We are a northern company, managed by northerners and serving the people of the north.

Hence it was a source of great pride for the Commission and for the region to have ONTC named in 1986 by the Financial Post as one of the 500 largest companies in Canada.

In addition to our growth in national stature, the year was marked by substantial investment in the future. We were also pleased to renew our long term commitment to northern Ontario this year in a variety of ways.

A new \$5 million headquarters in North Bay was completed in 1986 and consolidated over 200 employees who previously worked in six different locations throughout the city.

The construction of this building is an indication of our dedication to improving all of our services in northern Ontario. The building was dedicated to the employees who work in it, as an expression of the high regard we have for all our employees throughout the ONTC network.

The construction of an apartment complex adjacent to the new headquarters was also started. The \$9 million project for pensioners and other seniors will feature a very special living experience for our employees in their retirement years. The 138 apartments, craft and meeting rooms and outdoor pool are expected to be completed by the spring of 1988.

The complex, to be run as a commercial venture is an investment

of the Employees Pension fund.

The Commission also looked to the future of the region by initiating an unique and ambitious art collection that will be representational of northern Ontario and its artists. A commitment has been made to develop and expand the collection over the years to mirror the human element of northern Ontario and the area it serves. The collection will be on permanent display throughout the new headquarters.

There were also many milestones for ONTC in 1986.

A major agreement was reached with Northern Telephone Limited to install state-of-the-art digital equipment for five northern communities. The agreement is considered to be the first of its kind and sees ONTC subsidizing the local company for a large part of its capital cost.

This year in rail services we completely overhauled and refurbished a Northlander unit. We were so pleased with the work, done completely in our shops, that we took the train to the northern communities it serves to show it off. The public confirmed that our pride was warranted.

The major project of converting 20 commuter rail cars purchased from GO Transit, to intercity coaches is moving smoothly and efficiently. Again the work is being done mainly in our own shops and we feel that the quality is second to none. It is expected that three of the cars will be completed and in regular service by late 1987 and we will then have the newest intercity coaches in Canada.

The integration of Star Transfer and Express Services was completed this year in the initial phase of the rationalization of freight operations. Operations were computerized, a regional sales force appointed and an

aggressive marketing thrust All should assist in helping r new Transport Services a suc commercial venture.

Other significant areas of grothroughout northern Ontario progress.

Architectural plans have been developed for a \$2 million rai passenger terminal in Englet office space for train operation employees. A revamping of operations including mainter and stores building are also page Major renovations to the Tim Passenger Terminal, including canopy for four buses, new Ewaiting room and general off space is being designed with construction to start in the stoof 1987.

Also during 1987, work will be a digital facility to link Timm Cochrane. Approximately 70 kilometres of this route will use the afour-phase long term plant provide a fibre optics cable line North Bay to Hearst.

During 1986 our commercial operations produced revenue \$93.161,888. resulting in an i of \$14,648.036. The total ope expenditures were \$116.9 mil \$14.5 million was spent on call expenditures.

Respectfully submitted.

Peter Dyment General Manager



Review of Operations

Telecommunications

The Telecommunications Branch is the provider of all long distance services in northeastern Ontario. It also provides local telephone service in Moosonee, Temagami and Marten River areas.



In 1986, the Branch experienced another year of growth and improved performance. An increase in the number of messages carried and private line facilities leased led to a revenue growth of 6.0%. The increase in expenses was held to 4.4%, resulting in a rise of 9.2% net income.

Telecommunications continued its commitment to bring the most sophisticated and efficient technology available to northeastern Ontario. During 1986, several major projects were completed, including the installation of a new digital microwave radio facility between Smooth Rock Falls and Timmins at a cost of \$1.5 million. Part of this project included a three kilometer fibre optic cable link between the Timmins switching office and the Timmins microwave site.

Diesel generators previously used to operate telecommunications equipment at remote radio sites at Renison and Onakawana were replaced by an advanced transformer that takes power from Ontario Hydro's high voltage line. The new transformers have reduced both operating and maintenance costs.

A major agreement in 1986 was reached between ONTC and Northern Telephone Ltd. An expenditure of \$3 million by Ontario Northland will assist Northern Telephone in bringing digital switching equipment to New Liskeard, Haileybury, Cobalt, Earlton and Latchford in 1987. Modern equipment will be put into service in this area sooner than would otherwise have been possible as a result of the agreement. It will also reduce pressure for higher local telephone rates.

The agreement is considered to be the first of its kind between a toll company and a local telephone company. One major event in 1986 was r planned. A spring flood destr the townsite of Winisk, locate Hudson Bay. As a result, the was moved to a new location of Peawanuk, some 20 kilometre further inland. In conjunction Telesat, ONTC moved its sate earth station to Peawanuk to continue to meet the needs of community. Disruption in ser was minimal.

A great deal of work was also during the year on new capital projects. In fact, over \$6 millidollars is expected to be spen capital expenditures on telecomunications throughout north Ontario in each of the next thr years.

\$1.05 million will be spent to r the local dial exchange at Moc Factory with modern equipme well, \$1.34 million will be spen new digital toll switching equi currently being installed at Ne Liskeard to handle long distar messages originating in the Tarea. The digital microwave fawill be extended from Smooth Falls to Kapuskasing.

Also during 1987, work will be a digital facility to link Timmir Cochrane. Approximately 70 kilometres of this route will ut fibre optics cable. This is the step of a four-phase plan to pr fibre optics cable link between Timmins and North Bay. The term plan is to extend the new facilities from North Bay to Hi

Fibre optics use bursts of lase to send messages through fin strands, in much the same wa copper wires carry electrical impulses. They are smaller ar lighter than conventional cabl carry more information, faster economically and with higher quality and reliability than conventional circuitry.

oroximately 94% of rail traffic dled by Ontario Northland is ctly attributed to the mining and est industries.

986, the tonnage handled was htly down (1.5%) as were enues (3.5%). A reduction in ing sector traffic accounted for bulk of this decrease, however, an ressive 5.1 million tons of freight still handled by the rail facilities.

transportation of concentrates iron pellet decreased from last as not as much of the product available for shipment. Some very in the concentrate and pellet ic is expected in 1987.

wood traffic to southern Ontario also slightly reduced this year. traffic is expected to decline her while the customer completes higes in plant operation. Improved newsprint market conditions in late 1986 increased the volume of southbound traffic and this trend is expected to continue throughout 1987. A total of 7,500 cars of newsprint was transported during the year to markets in southern Ontario and the United States. This level of newsprint shipment should be maintained next year.

Averaging the needs of all user groups, a slight improvement in traffic levels could be expected in the upcoming years. However future trends are somewhat uncertain as the rail transportation industry moves closer to a deregulated environment and as competition from the trucking industry increases.

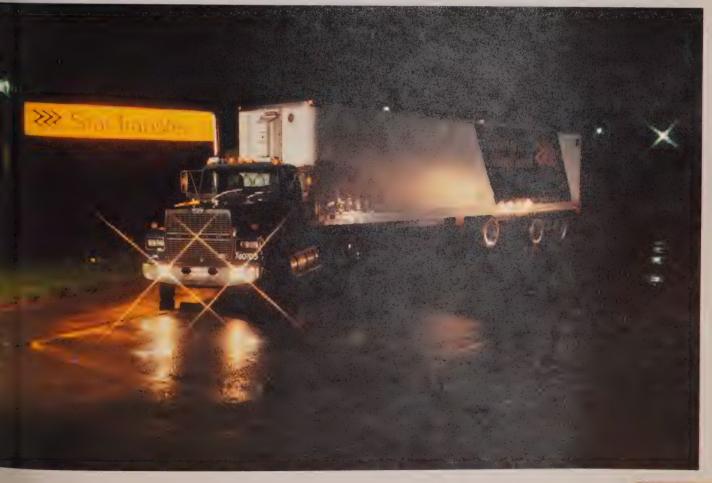
In September 1986 the Star Transfer trucking operation joined with the Express Services to form an

integrated "Transport Services" department for all highway transportation of freight. This is the initial phase in the rationalization of freight operations.

An 8,000 square foot terminal in North Bay was leased in 1986 and is now fully operational. Six new 1987 tractors were added to the fleet and have helped reduce down-time and added considerably to efficient operations.

A regional sales force was established during the year.

It is expected that Transport Services will have to continue its active marketing thrust to maintain the current traffic and revenue position.



over Service Division And Tourism Development

ONTC's Passenger Services provide land transportation for residents of the region and also serve to bring tourists to various tourism attractions throughout northeastern Ontario.

In 1986, a Tourism Development Officer was appointed and a major ellor is underway to develop the Laurium potential of the entire region ulong the bus and rail corridors. ONTC 15 taking the lead in this middle wour to attract more people to month eastern Ontario by promoting it is a complete tourist package. In the Willie the work of the Passenger Marketing and Tourism Development branch will involve not only efforts to ingrease ridership, but efforts to Increase the public awareness profile of the region served. Chambers of Commande and community officials may apply used the ONTC for its milialives and leadership in regional promotion.

Tre Toronto Sales Office, based in Union Station, is expected to play a having in tar geting potentially major tourist markets in southern Ontario, the U.S. and abroad. The North Bay Sales Office complements these offices and, in addition, promotes, packages and sells ONTC motor continuers throughout the U.S. and Land Land

The Pollic Enar Express and the Hannah Bay Goose Camp continued 10 SETVE BE TWO very successful Journal attractions in 1986. In excess all and tourists travelled on the Fular Bran Express. This represents a slight decline in ridership of approximately 5% from 1985. There wurs 125 bookings at the Hannah Bay GIFIBE Camp and, by all accounts. the hunt was another successful one. The Hannah Bay Goose Camp is located 45 air miles due east of Modeonic In September and October, blue and snow geese in tens of inpusands settle along the grasslands and flats of Hannah Bay. Guesti are transported from the completine shooting grounds by we'ed freighter canoes. Cree



Indians act as guides and callers to bring the geese within range - an awesome sight for both hunters and photographers.

The Passenger Services division in total is responsible for overseeing all of the land passenger services operations of the ONTC, including maintenance and procurement of passenger equipment (rail and bus), station facilities, customer services and passenger marketing. Services provided include bus operations (scheduled, charters and tours), Northlander trains, the Northland (night) train, regular train service between Cochrane and Moosonee and the Polar Bear Express excursion train.

In 1986, an approximate 6% ridership decline was experienced by both bus

and rail services. A concerted will have to be made to improve services and revenues. It is ferom industry bargain flights contributed in the cont

In 1987, the Northlander and excursion trains are expected some improvement in ridershi the Northland train is expected remain stable.

The bus industry in general throughout North America has experienced problems in recer years. Soaring insurance cost decline in ridership due to der



ne competition has placed the stry in some difficulty. Overall, operations revenues were down ginally. Revenues from bus fares charters were down, while nues from bus tours and BPX appointmentally. The overall enses were curtailed to a 2.3% ease. The greatest change in net ating position can be attributed a unexpected 600% increase in rance premiums which punted for approximately 60% of net operating loss.

general decline in bus traffic and ply increased operating costs led to a review of each bus route in individual basis. Changes in dules are in the process of ementation after extensive vis of the various routes and ing frequencies of bus services, the involvement of community espeople, a balance has been be between the needs of the tele and a cost-effective, amlined service.

ovements in ridership in 1987 are cted in the regular bus schedule ce and in bus tours. Bus ers are expected to remain e.

86, a "no smoking" policy was duced on all scheduled bus runs. policy has proven very popular comments from clientele have overwhelmingly favourable.

re plans for passenger services ties include major renovations a Timmins passenger terminal. Project will include interior at changes, exterior restoration a station, and site development ding under canopy bus parking. Pus maintenance operations in hins are expected to move to a facility early in the new year.

tectural plans have also been oped for a new train / bus enger station in Englehart. completed, the new building lso house divisional offices for Services.



New Passenger Services

In 1986, plans got well underway for upgrading our fleet of rail passenger cars. One year ago, a major project to replace some of the aging fleet of rail passenger cars on the Ontario Northland trains was undertaken. In all, 20 commuter rail car shells were purchased from GO Transit. These shells are being converted from commuter to intercity coaches using state-of-the-art technology to reconstruct the cars interiors, sub-systems, electrical heating systems and air-conditioning systems. Auxiliary power units (APU's) are also being constructed in conjunction with the cars project to provide electric power for the train consist. When completed, this equipment will replace the last vestiges of steam in the ONTC network.

A special unit, New Passenger Services, was set in place in 1985 to co-ordinate the work of the various departments involved in these two construction projects. A handful of New Passenger Services and shop personnel are commended for working diligently to bring this major project closer and closer to reality.

Stripping of the cars is being done at Timmins and Cochrane shops and reconstruction of the cars and the construction of the APU's is taking place in the North Bay shops.

The total cost of the conversion projects is expected to be in the \$24.5 million range and completion will require approximately four years. It is expected that three cars and one APU will be completed and in regular service between Cochrane and Moosonee by the end of 1987.

The Rail Services Division consists of the Transportation, Mechanical and Engineering Departments.

The Transportation Department is responsible for the scheduling, cuntral and operation of all trains on the system, as well as the operation of the various yards. The Mechanical Department handles the maintenance, repair, servicing, cleaning and inspection of all locomplives, freight cars, passenger pars, and other non-revenue **Equipment on Ontario Northland's** lines. Under the aegis of the Englanding Department is the communication, maintenance and repair of all track, bridges, signal systems, gulverts and most of the buildings of Validus types with Rail Services.

In 1986, the Mechanical Department completed the upgrading of the Northlands, trainset and began the major project of converting GO cars into mainline coaches. A new dining call was purchased and renovated for the Polar Boar Excursion service and the building of a maintainer's car for Maintainer, of Way was undertaken.





Speed and event recorders were installed on all freight locomotives and a project is in process to install low temperature protection units to enable the shutting down of idle locomotives in winter months. In addition, one locomotive was completely overhauled.

The auxiliary power supply units (APU's) on two Northlander locomotives were overhauled.

Some of the accomplishments of the Engineering Department during 1986 are as follows:

- 7.5 miles of worn main line rail was replaced with new continuouswelded rail
- 6.7 miles of secondhand rail was
- 48,228 track ties were replaced, along with 9 sets of switch ties
- two treated timber bridge decks were replaced, three steel bridges were repainted and a major culvert program was completed, including one new installation to replace a failed structure

- two abandoned freight sheds demolished, and renovations completed at various stations other buildings
- construction of the modern Maintenance of Way Repair fa at North Bay was completed
- major renovations to the Nort Diesel Shop were started
- design work was done for a ne Road Stores building in North
- major renovations were made Outside Repair Track facility a North Bay
- flashing light crossing protec was installed on two crossing
- hot box detection equipment upgraded
- two new high water detectors installed
- installed at North Bay to serve railway freight customers

C was given the task in 1973 to ate norOntair. It started with two aft serving four communities. original mandate was to set up an atructure to operate an airline, to tandards and determine fares achedules.

bjectives of the government at ime were to reduce the isolation rtheastern Ontario, enhance the strial and commercial opment of the area and to gthen private carriers.

80, norOntair was serving 21 nunities with nine aircraft.

66 a total of 98,200 passengers carried representing an increase % over the previous year.

ver while ridership and revenues operating costs increased a

dramatic 16.3% resulting in a total loss of 26.8% over 1985.

The existence and expansion of norOntair has played an important role in the stimulus for the growth of private air carriers in northern Ontario. Many of these carriers presently work under contract to norOntair and in fact, provide the bulk of its services. In addition, the regulatory body that governs the air industry is moving closer to deregulation. With this move to deregulation a more competitive environment for air services has developed.

At the same time as the Commission is operating norOntair with large subsidy needs, there is clear evidence that the private sector is willing and prepared to provide air service to at least some of the

communities served by norOntair. It is felt that the time may be right to explore the possibility of the private sector taking over some or all of these services and relieving the government of a large subsidy.

In view of this new competitive climate, and in view of the fact that norOntair has fulfilled its original mandate, ONTC in 1987 will be requesting proposals from qualified carriers to determine to what extent, if any, they would be prepared to assume some or all of the norOntair route.

In reviewing proposals, a strong emphasis will be placed on considering the needs of individual communities and norOntair personnel.



The ONTC operates three ferry services - the M.S. Chi-Cheemaun between Tobermory and Manitoulin Island, The M.V. Chief Commanda II between North Bay and the upper French River, and the M.V. Manitou Island II between Moosonee and Moose Factory.

Although revenues increased over 1985 on all three services, significant increases in expenditures were also realized.

The Chi-Cheemaun in its 12th year of operation, carried 242,308 passengers and 82,442 cars. However increased by 6.2%.

In 1986, a new state-of-the-art mivigation system was installed at a most of 5200,000. This system provides an electronic chart fed by appeared computer and shows the true or relative motion of the vessel. This new navigation system will greatly enhance the safety factor and reliability of the Chi-Cheemaun.

Expanditures also increased in 1986 at it underwent its compulsory five-year hull inspection. This was completed in Thunder Bay at a cost of \$100,000.

The M.V. Chief Commanda II continues to serve as the most popular tourist attraction in the North Bay area. The total number of passengers carried was 19,318, a slight decrease from 1985. Revenues however were up

Again expenditures increased pure iderably from the previous year due to the overhaul of main engine equipment. In addition, to meet Canadian Coast Guard Ship Safety Inspections standards, a major overhauling of other equipment was required.

The M.V. Manitou Island II carries passengers and supplies. This years increase in revenues can be attributed to construction on the island and the movement of large quantities of

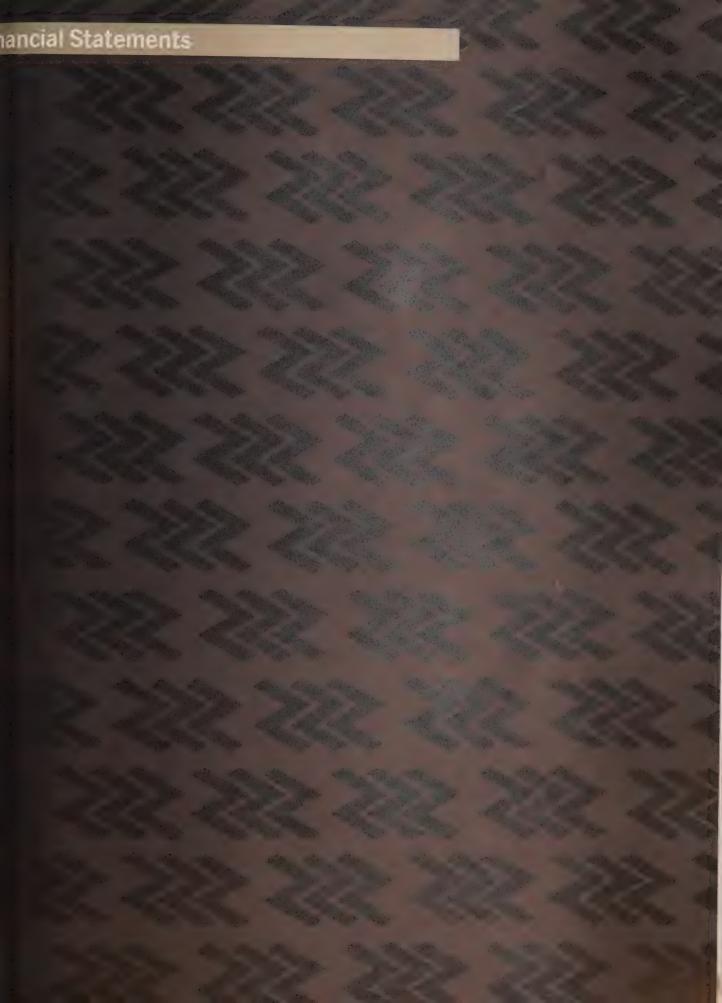
freight. In addition, although plagued by low water levels on the Moose River, the ferry completed its longest season in operation.

A considerable decrease in expenditures was experienced as the

vessel had previously received extensive machinery repairs in

There is not expected to be any significant change in the operathese services in 1987.





Ontario Northland Transportation Commission CONSOLIDATED BALANCE SHEET as at December 31, 1986

	Assets	1986 \$	1985 \$
Current Assets	Cash and short term investments Accounts receivable Due from Contributory Pension	11,294,485 14,571,826	1,993,753 15,812,081
	Fund (note 7)	526,429	
	Materials and supplies	6,078,294	5,532.673
	Prepaid expenses %	165,075	175.163
		32,636,109	23.513.670
Long Term Investments - at cost	Government bonds (market value		
	\$26,935,000; 1985 - \$22,596,000)	23,865,029	19.767.627
Other Assets - at cost	Self insurance fund (note 2) (market value \$2,009,000; 1985 -		
	\$1,718,000)	1,835,349	1.538.448
	Bus franchises	297,679	297.6 79
	Investment in Telesat Canada	150,000	150.000
		2,283,028	1,986,127
5.0 h			
Investment in Property - at cost			
less accumulated depreciation	(schedule 1)	174,072,188	169.729.826
		232,856,354	214.997.250

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission:

Commissioner General Manager

Liabiliti	es and Equity	1986	1985 \$
Current Liabilities	Accounts Payable and accrued charges	17,518,597	_15,657,700
Deferred Revenue	(note 5)	1,447,824	1,602,856
Provision for Self Insurance	(note 2)	1,835,349	1,538,448
Long Term Debt	Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
Province of Ontario Equity	Contributed surplus Retained income	22,832,714 154,013,935	24,752,416 136,237,895
		176,846,649	160,990,311

232,856,354 214,997,250

		1986 \$	1985 \$
Operating Revenues	Commercial (schedule 3) Non-Commercial (schedule 4)	93,161,888 13,928,905	92.134.773 14.026,231
Total operating revenues		107,090,793	106.161.004
Operating Expenditures	Commercial (schedule 3) Non-Commercial (schedule 4)	78.513,852 38,345,441	76,034,589 35,984,275
Total operating expenditures		116.859.293	112,018.864
Loss from operations before the following	20	9,768,500	5,857.860
Investment Income	Interest expense Interest earned Gain on sale of bonds	(200,048) 3,279,755 278,765	(901,818) 3,778.721 415.024
Net investment income	e	3,358,472	3,291.927
Special payment to pension fund	(note 3)	2,209,037	3,001,118
Net loss before Government reimbursement		8,619,065	5,567,051
Government reimbursement (schedule 2 and note 4)		26.395,105	23,866.045
Net income for the year		17,776,040	18,298.994

	1986 \$	1985 \$
Balance, beginning of year	136,237,895	117,938,901
Add net income for the year	17,776,040	18,298,994
Balance, end of year	154,013,935	136,237,895

Ontario Northland Transportation Commission CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS for the year ended December 31, 1986

		1986 \$	1985 \$
Balance, beginning of	year	<u></u> 24,752,416	20,328,060
Add:	- norOntair aircraft and associated equipment	% n 90,014 %	6.140,715
	- Capital expenditures of The Owen Sound Transportation Company, Limited	215,409	79.051
		25,057,839	26,547,826
Less:	depreciation charges for the year	2,225,125	1,795,410
Balance, end of year		22,832,714	24,752,416

		1986 \$	1985 \$
Operating Activities	Cash provided from (used in) operations (see below) Government reimbursement	916,670 26,395,105 27,311,775	(4,459,297) 23,866,045 19,406,748
Financing Activities	Capital reimbursement from the Province Repayment of long term debt	305,423 — 305,423	6,219,766 (13,000,000) (6,780,234)
Investing Activities	Net investment in fixed assets Purchase of bonds Proceeds from sale of bonds Proceeds from sale of fixed assets Contributory Pension Fund advances	(14,484,243) (5,854,863) 2,168,000 381,069 (526,429) (18,316,466)	(22,527,899) (6,999,688) 13,720,900 492,172 — (15,314,515)
Increase (decrease) in cash and short term investments during the year		9,300,732	(2,688,001)
Cash and short term investments, beginning of year		1,993,753	4,681,753
Cash and short term investments, end of year Cash provided from (used in) operations		11,294,485	1,993,753
is derived as follows:			
Net loss before Government reimbursement		(8,619,065)	(5,567,051)
Add (deduct):	Depreciation Amortization and gain on sale of bonds Gain on return of leased trailers Decrease (increase) in accounts receivable Increase in material, supplies and prepaids Increase (decrease) in accounts payable Increase (decrease) in deferred revenue	7,535,687 (410,539) — 1,240,255 (535,533) 1,860,897	6,929,209 (605,719) (91,589) (2,663,816) (1,145,094) (2,918,093)
Cash provided from (used in) operations	micrease (decrease) in deletted reveilde	916,670	1,602,856 (4,459,297)

		1986	1985
		\$	\$
Rail	Roadway Buildings Equipment	106,018,697 15,043,687 40,732,326	102,227,019 13,914,751 40,858,795
Telecommunications		54,809,295	52,885,634
Buses		2,315,162	2,315,162
Boats	\$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	927,413	927,413
norOntair	aircraft	15,542,700	15,525,610
	other	2,010,106	1,967,198
Remote North power and communications		278,298	278,298
Star Transfer Limited	vehicles	2,414,213	2,516,418
	other	960,647	882,678
The Owen Sound Transportation	1 10		
Company, Limited	vessel other	9,880,765 395,158	9,665,356 395,158
Gross investment in property	; ;	251,328,467	244,359,490
Less accumulated depreciation		93,763,881	85,529,696
Net investment in property		157,564,586	158,829,794
Under construction	3 480	16,507,602	10.900,032
		174,072,188	169,729.826

SCHEDULE 2

		1986	1985
		\$	\$
From Province of Ontario	Cochrane - Moosonee branch line Main line passenger train Northlander Remote North power and communications Air services - norOntair Moosonee ferry	8,328,400 5,630,200 5,899,400 5,766,426 42,706	7,784,932 5,697,229 5,197,878 89,406 4,546,971 91,656
The Owen Sound Transportation Company, Limited		727,973	457,973
Total Provincial Government reimbursement (note 4)		26,395,105	23,866,045

		1986	1985
		\$	\$
Rail Freight Services	Revenue	45,350,731	46,988,449
Train trought don troop	Expenditures	41.440.896	40.627.108
	Income from operations	3,909,835	6.361.341
Telecommunications	Revenue (note 6)	38,430,574	36.270,907
	Expenditures	25,580,035	24,503.706
	Income from operations	12,850,539	11,767.201
Bus Services	Revenue	3,792,432	3,849,863
	Expenditures	4,356,428	4.256.401
	Loss from operations	(563,996)	(406,538)
Transport / Express Services	Revenue	5,034,911	4,595.011
	Expenditures	6,432,614	6,103.482
	Loss from operations	(1,397,703)	(1.508.471)
Marine Services (North Bay)	Revenue	303,025	278.673
	Expenditures	463,532	421,684
	Loss from operations	(160,507)	(143,011)
Tourist Facilities (Hannah Bay)	Revenue	140,867	151.870
	Expenditures	110,566	122,208
	Income from operations	30,301	29.662
Remote North Power	Revenue	109,348	_
	Expenditures	129,781	-
	Loss from operations	(20,433)	
Total Commercial Operations	Operating revenues	93,161,888	92,134,773
	Operating expenditures	78,513,852	76.034.589
	Income from operations	14,648,036	16,100,184

		1986	^ 1985
		\$	\$
Rail Passenger Services	Revenue	A 772 22C	E 00E E 60
	Expenditures	4,773,336	
	Loss from operations	22,652,767 17,879,431	1 1
	Government reimbursement	19,858,000	16,772,038
	Net gain from operations	1,978,569	, , ,
		1,970,309	1,908,001
Air Services (norOntair)	Revenue	5,169,903	4,854,093
	Expenditures	10,936,329	. ,
	Loss from operations	5,766,426	9,401,064 4,546,971
	Government reimbursement	5,766,426	4,546,971
		5,700,420	4,540,971
Marine Services (Owen Sound)	Revenue	3,914,678	3,684,472
	Expenditures	4,642,651	4,142,445
	Loss from operations	727,973	457,973
	Government reimbursement	727,973	457,973
			+37,373
Marine Services (Moosonee)	Revenue	70,988	68,157
	Expenditures	113,694	159,813
	Loss from operations	42,706	91,656
	Government reimbursement	42,706	91,656
Remote North Communications	Revenue		. 24.000
	Expenditures	Фийрица	34,280
	Loss from operations	- Andrews	83,789
	Government reimbursement		49,509
	Solver Monte Formisal Sollient	61900	49,509
Remote North Power	Revenue	provide	89,660
	Expenditures		129,557
	Loss from operations	-	39,897
	Government reimbursement	diterrep	39,897
			- 33,037
Total Non-Commercial Operations	Operating revenues	13,928,905	14,026,231
	Operating expenditures		35,984,275
	Loss from operations		21,958,044
	Government reimbursement		23,866,045
	Net gain from operations	1,978,569	1,908,001
			2,300,001

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of vehicles which are depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Boats	20 years

The province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations

2. SELF-INSURANCE

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a \$100,000 premium paid by the Commission in addition to investment income earned on fund assets.

3. CONTRIBUTORY PENSION FUND

The Commission acts as the trustee for the Contributory Pension Fund, which covers all permanent staff of the Commission and which had assets of \$161,558,030 at December 31, 1986. Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of \$16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965 \$19,443,107

Actuarial surplus identified as at December 31, 1984

(2,505,743)

\$16,937,364

The Commission will continue to make annual interest payments of \$1,185,615 into the Fund in order to prevent an increase in the unfunded liability.

In addition, the Commission made an extra payment of \$2,209,037 (1985 - \$3,001,118) into the Fund. The impact of these special payments on the unfunded liability will be reflected in the next actuarial valuation.

4. PROVINCIAL GOVERNMENT REIMBURSEMENTS

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission and its subsidiaries have been designated as noncommercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return equal to the lesser of 9.325 per cent or the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

5. DEFERRED REVENUE

In 1985, the Commission received \$1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eight remaining years of the original agreement.

6. TELECOMMUNICATIONS REVENUE AGREEMENTS

The Commission has revenue-sharing agreements with Bell Canada and Northern Telephone Limited, subsidiaries of Bell Canada Enterprises Inc. These revenue-sharing agreements may be terminated by either party after giving 180 days and 60 days prior notice, respectively. Approximately 78 per cent (1985 - 77 per cent) of telecommunications revenues depend on these agreements.

7. DUE FROM CONTRIBUTORY PENSION FUND

During the year, the Commission paid \$526.429 towards the costs of construction of a senior citizens' apartment building having an estimated total cost of \$9.4 million. It is the Commission's intention that, upon completion, this investment will be held and managed by the Contributory Pension Fund.

8. COMMITMENT

Under an agreement dated September 24. 1986, the Commission is committed to pay \$3,000,000, in varying installments during 1987, to Northern Telephone Limited, to cover a portion of the cost of modernizing that company's telecommunications equipment.

9. SUBSEQUENT EVENTS

(a) Telecommunications Revenue

The Commission uses tariffs established by Bell Canada to charge for certain long distance services within its territory. On October 14, 1986, the Canadian Radio-Television and Telecommunications Commission directed Bell Canada to lower its rates for long distance services. Effective January 1, 1987 the Commission similarly reduced its rates by an average of 20 per cent for long distance calls within Ontario and Quebec. The effect of the decrease in rates upon the Commission's future telecommunication income cannot be reasonably estimated because of the difficulty in predicting the offsetting impact of a rate reduction upon the volume and duration of long distance calls.

(b) Owen Sound Transportation Company, Limited

Under proposed changes to the Memorandum of Understanding between the Commission and the Minister of Northern Development and Mines, the Owen Sound Transportation Company, Limited would be designated as a commercial operation commencing January 1, 1987. As such, certain capital expenditures as well as operating losses of the Company would no longer be recoverable from the Province. Any operating profits would accrue to the Commission.

10. COMPARATIVE FIGURES

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

11 REMUNERATIONS TO COMMISSIONERS

During the year a total of \$63,651 was paid to the Commissioners.

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1986 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario April 3, 1987

D.F. Archer, F.C.A., Provincial Auditor.

Ontario Northland Transportation Commission CONTRIBUTORY PENSION FUND STATEMENT OF CHANGES IN FUND BALANCE for the year ended December 31, 1986

		1986 \$	1985
Contributions			
	Employees	1,996,871	1.886.390
	Commission		
	Current service and supplementary benefits	2,019,557	1,910.160
	Payment toward unfunded liability (note 2)	3,394,652	4,186.733
		7.411.080	7,983,283
Income from investments	Interest and dividends	16,330,233	14,637,886
	Net gain on disposal	3,015,088	1.598.319
		19,345,321	16.236,205
		26,756,401	24.219,488
Disbursements	Pensions paid directly to pensioners	7,760,852	7.076,620
Dispursements	Refunds of employee's contributions and interest	222,175	196.852
		7,983,027	7.273,472
Increase in the Fund for the year		18,773,374	16.946.016
Fund balance, beginning of year		142,784,656	125,838,640
Fund balance, end of year		161,558,030	142.784.656
Consisting of:	Assets		
	Cash and short term investments, at cost	22,162,896	5,616,750
	Stocks, at cost (market value \$6,896,940;		
	1985 - \$3,796,000)	6,963,190	3,714,261
	Accounts receivable	506,696	369.233
	Bonds, at cost (market value \$142,150,680;	101 005 040	122.062.217
	1985 - \$143,026,000)	131,925,248	132.963.217
	Precious metals, at cost		121,195
		161,558,030	142.784.656

See accompanying notes to financial statement.

Approved on behalf of the Board:

Commissioner General Manager

Ontario Northland Transportation Commission CONTRIBUTORY PENSION FUND NOTES TO FINANCIAL STATEMENT December 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This statement has been prepared on the cash basis of accounting, except for contributions which have been recorded on an accrual basis.

(b) Administration Expense

The cost of administration was borne by the Ontario Northland Transportation Commission.

2. UNFUNDED LIABILITY

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of \$16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965

\$19,443,107

Actuarial surplus identified at December 31, 1984

(2,505,743)

\$16,937,364

The Commission and its subsidiaries will continue to make annual interest payments of \$1,185,615 into the Fund in order to prevent an increase in the unfunded liability.

In addition, in 1986 the Commission made an extra payment of \$2,209,037 (1985 - \$3,001,118) into the Pension Fund. The impact of these special payments on the unfunded liability will be reflected in the next actuarial valuation.

3. INVESTMENT IN APARTMENT COMPLEX

During the year, the Commission paid \$526,429 towards the costs of construction of a senior citizens' apartment building. These and future costs, estimated at \$8.9 million, will be borne by the Commission until such time as the property becomes an investment of the Fund.

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines.

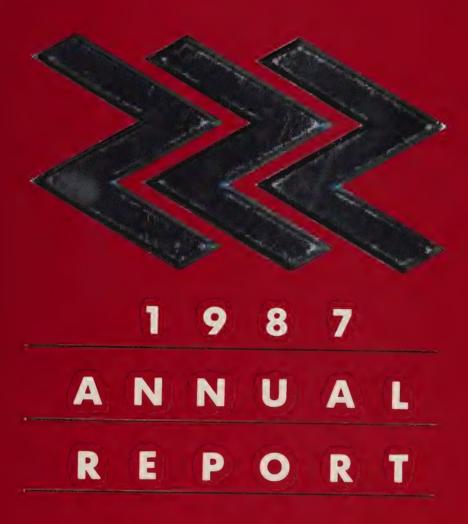
I have examined the statement of changes in fund balance of the Ontario Northland Transportation Commission Contributory Pension Fund for the year ended December 31, 1986. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the assets of the Fund as at December 31, 1986 and its receipts and disbursements for the year then ended in accordance with the basis of accounting described in note 1a applied on a basis consistent with that of the preceding year.

Toronto, Ontario April 3, 1987. D.F. Archer, F.C.A., Provincial Auditor.



CA 2011 HY91 - A56







The 87th Annual Report of the Ontario Northland Transportation Commission for the year ending December 31, 1987



Province of Ontario
Honourable David Peterson
Premier
Honourable Rene Fontaine
Minister, Northern Development



Ministry of Northern Development and Mines

The Honourable Lincoln M. Alexander P.C.,Q.C.,C.St.J.,B.A. Lieutenant-Governer of the Province of Ontario

May it please your Honour:

I beg leave to present the 87th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1987.

Respectfully submitted,

Rene Fontaine

Minister of Northern Development

1988



The Honourable Rene Fontaine

Minister of Northern Development

Parliament Buildings

Toronto, Ontario

Sir:

I beg to submit the annual report for the year 1987 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner Chairman, ONTC

1988

Ontario Northland Transportation Commission

- J.W. Spooner, Chairman, Timmins
- M.P. Boreham, Commissioner, Elliot Lake ... retired July 31, 1987
- G.J. Gagnon, Commissioner, Hearst
- R. Motlong, Commissioner, Sioux Narrows
- W.B. Brayford, Commissioner, New Liskeard
- R.G. Brisson, Commissioner, Cochrane
- R.S. Lucenti, Commissioner, North Bay
- M.D. Sinclair, Commissioner, Sudbury
- E.T. Sutherland, Commissioner, Moose Factory
- W.A. Keller, Commissioner, Mindemoya ... appointed December 17, 1987

Principal Officers

- P.A. Dyment, General Manager
- D.E. MacDougall, Assistant General Manager
- K.J. Moorehead, Senior Operating Officer Rail
- K.J. Wallace, Senior Officer, Marketing and Passenger Services
- R.S. Hutton, Director, Telecommunication Services
- E. Marasco, Senior Director, Passenger Services
- T. O'Connell, Counsel

Corporate Profile

An Historical Perspective

In 1901, when workers started laying track from North Bay to New Liskeard, they didn't realize that the railway they were building was not only leading to the resource-rich North, but to the creation of a diversified transportation and communications giant, the Ontario Northland Transportation Commission.

From its meager origins as a one-line railway to its current existence as a land-water-air-telecommunications giant, Ontario Northland has constantly entwined its growth and development with that of Northeastern Ontario.

As Cobalt's rich silver discoveries quickly followed the path of the railway, it pushed out to service other new communities -- Timmins, Kirkland Lake, Cochrane -- helping to develop the potential wealth of the new region.

Ontario Northland, once known as the Temiskaming and Northern Ontario Railway (T&NO), reached its northern terminus at Moosonee in 1932. The end of railway expansion permitted the company to focus on other areas of development in the region.

The telegraph service, built in response to the needs of the

companies and the Northeastern Ontario communities it served, became a telecommunications network. Highway transport services, bus and truck, were established to complement rail service. Ferry boat services were started and in 1973 a small airline.

Bringing the North together for business and pleasure has been an important task of Ontario Northland from the beginning, through to the present, and into the future.

Today the Ontario Northland Railway continues to be the most visible component of the ONTC. The railway's major role is, as in the past, the transportation of minerals and forest products from the resource-rich North to southern Ontario.

The ONR's passenger services, such as the Northlander, the Northland, the Polar Bear Express and the Little Bear, also continue to play a vital role, uniting the people of the region, providing a connection to the south and bringing tourists to the North.

Supplementing rail services are Ontario Northland's Transport Services and Passenger Services, moving freight and people by highway to where rail does not go.

Ontario Northland buses provide

regular scheduled service betw Northern communities, as well charter and tour services acros North and Canada. Transport Services offers customers a co hensive short or long-distance shipping, competitive with nat companies.

Ontario Northland's Telecomm tions system offers vital links Northeastern Ontario with Bel Canada, Northern Telephone L the Telsat Satellite, and its ow telephone networks.

Operating specialized waterors diverse bodies of water, ONTC Marine Services has become a integral part of the communities serves on Georgian Bay, Lake Nipissing and James Bay. The Chi-Cheemaun, the M.V. Chie' Commanda II and the M.V. Malsland II meet their unique needs

norOntair, Ontario Northland's newest division, provides fast air service to 21 Northern communities using the most e aircraft available, including the Canadian-built DASH 8.



General Manager's Report

The Ontario Northland Transportation Commission's development and operation is fully integrated with the economy of Northern Ontario and the region's people.

Virtually all residents, business and tourists in Northern Ontario are impacted upon in some way by some or all Ontario Northland services --telecommunications, rail and highway freight, rail and bus passenger, air -- during the year.

More than 1,500 ONTC employees work and live in the region, contributing to the well-being of the North personally and professionally in communities from North Bay in the south to Moosonee in the north, from New Liskeard in the east to Kenora in the west.

To say that Ontario Northland is a northern company, operated by northerners to serve northerners, is not only an apt description of the ONTC but a matter of great pride for us.

Our long term commitment to the region and the people we serve was renewed during the past year with substantial investments and improved services.

Construction on the \$9.5 million senior citizens' apartment complex in North Bay neared completion in 1987. The 138-unit building featuring amenities such as swimming pool, sun decks, doctor's office and guest accommodation, is expected to be filled by a substantial number of ONTC retirees, as well as other seniors when fully occupied in 1988. The complex is an investment of the Pension fund.

Construction started on a new \$2 million intercity rail / bus terminal in Englehart. The existing station has been virtually demolished with only a small portion remaining to serve as a waiting room and operating area. Remaining operations have been temporarily relocated in the former agent's residence until the new terminal opens in 1988.

A contract was awarded and construction started on a new stores and maintenance building in Englehart to be completed in June 1988, while new diesel storage tracks were installed in this important community's rail yards.

Also awarded and currently underway was a \$650,000 contract to renovate Timmins Station. This work will include creating undercover bus loading for buses, upgraded passenger and office facilities and retail rental space.

A new 4,000-square-foot Express Terminal, built at a cost of \$490,000, was opened in Cochrane in November 1987.

In the telecommunications field, Ontario Northland continued extensive work on a fibre optics link, and increased its financial sur Northern Telephone Limited's install state-of-the-art technol five northern communities. So cated digital telecommunication equipment was also installed Moose Factory and New Liske cost of more than \$2 million.

The planned conversion of 20 Transit commuter rail cars to it coaches continued to go smowith all work being done in our shops. The first cars will be completed, tested and placed service in 1988.

Projects for the new year inclusionstruction on a \$2.5 million intercity rail / passenger term North Bay, the first Ontario Northland-owned terminal in of its origins. Also in North BONTC is involved with the other railways and the city to consorrail operations in ONR facilities.

Respectfully submitted,

Peter Dyment

General Manager



Review of Operations

Telecommunications

The Telecommunications Branch provides long distance services, WATS, 800 Service, private line voice and data, CBC program and video, telex and telegraph services to Northeastern Ontario, as well as local telephone service to Moosonee, Moose Factory and the Temagami and Marten River areas.

In 1987 the Telecommunications industry experienced unprecedented changes: an average reduction in message toll rates of 25 percent was implemented in Ontario Northland's serving territory, OUTWATS rates were restructured and reduced by 15 percent, and the Federal Government announced that it would begin levying a 10 percent tax on certain telecommunications services, including message toll, in 1988.

Message volumes increased at unparalleled rates due to the price reductions and a healthy economic climate. The average message growth in 1987 over 1986 was 15 percent. The branch continued its past trend of efficient operations as expenses increased only 1.8 percent despite the large traffic volume increase.

Telecommunications' commitment to

Northeastern Ontario communities was further demonstrated by the completion of two major projects at a total cost of \$2.2 million. In Moose Factory, the local exchange was replaced with modern digital equipment, and in New Liskeard, a digital toll switch was installed to handle long distance messages from the Tri-town area.

Continued progress was made on extending digital microwave facilities from Smooth Rock Falls to Kapuskasing and on a four-phase plan to link Timmins and North Bay with a fibre optic cable. The first phase of the fibre optic link will be completed and the second phase started in 1988. Both projects are part of a long term plan to extend digital facilities from North Bay to Hearst.

Ontario Northland also fulfilled its commitment of \$3 million to help Northern Telephone Limited install digital technology in the Tri-town, Earlton and Latchford areas, and gave the northern utility an additional \$500,000 subsidy for 1987.

In a major contract reached in 1987, Telecommunications agreed to provide ICG Utilities a state-of-the-art private radio system extending from Calstock through to Temagami. System was designed and installed and will be maintained by the Branch of th

Several innovations were brought customer relations. In keeping windustry standards, local telephorates were unbundled, allowing customers to provide their own equipment. Also order processing and accounts receivable systems the local telephone services were automated resulting in improved customer services and more time billing.

In its continuing quest to provide most sophisticated and efficient technology possible,
Telecommunications has made a commitment to offer enhanced
Datapac and 800 Services in 1988 continue work on the northern fit optics route.



The Passenger Services Division is responsible for overseeing all land passenger services of the ONTC and through its Tourism Development Branch plays a key role in helping to bring tourists to the region.

The passenger services include scheduled, charter and tour bus operations, all trains under ONTC jurisdiction, station facilities, Hannah Bay Goose Camp, passenger marketing and providing a high level of customer service.

Ridership on the Polar Bear Express remained at 1986 levels with more than 20,000 tourists. This is an improvement from the previous year when ridership declined 5%. The challenge for 1988 will be to recover the lost ridership and ensure significant growth for the future.

Hannah Bay Goose Camp experienced another excellent year with 128 bookings, but unfortunately last minute cancellations prevented 1987 from being perhaps the best year ever. As witnessed by the number of return hunters the operation of the camp continues to be first-rate.

Rail passenger ridership increased overall in 1987, despite a decline of approximately 5% experienced by the Northland night train. The loss was offset by gains of 8% by the regular Cochrane-Moosonee train and 5% by the Northlander. Moderate ridership increases are projected for all trains in 1988.

The North American bus industry, including the ONTC, continued to experience an overall decline in

scheduled service ridership in 1987. Scheduled service ridership declined by approximately 6.5%. However, tours and charter ridership increased by more than 50%. Bus Parcel Express also experienced an increase in volume. The tour and charter increases contributed to a 2.5% gain in overall revenues, while overall expenses were cut by 4%.

While this is a considerable financial improvement in bus operations, there continues to be a significant challenge to bring it back to a sound financial footing. Competition from a deregulated airline industry and from private automobiles continue to place the bus industry in difficulty. There are, however, encouraging signs that regular ridership will stabilize in 1988 and tour, charter and PBX will remain strong. Therefore there is optimism that 1988 will be a turnaround year for the industry.

ONTC will continue its policy of reviewing each bus route and identifying areas of additional savings.

Bus maintenance operations in Timmins moved to a new facility in 1987, while renovations at the Timmins Station and construction of a new station in Englehart were started in 1987 and should be complete by the spring of 1988.

Future plans include a \$2.5 million rail / bus passenger terminal and bus maintenance facility in North Bay, a new bus station in Kirkland Lake, and major renovations to Cochrane, Temagami and Iroquois Falls stations.

Of special interest in the Passeng Services Division is the New Passenger Services Branch, a spunit established in 1985 to co-ordinate the work of various departments involved in a four-ye \$24.5 million passenger cars construction project. This includes the reconstruction of 20 GO Tran rail cars and the construction of Auxiliary Power Units (APUs).

When completed these cars will replace our existing fleet of conventional cars on the Moosor Branch, which are 40 to 50 years and will be compatible with new equipment which may be acquire the main line service. The refurbished cars will have state-of the-art systems and components including new interiors, new electrical, heating and air conditioning systems and other sub-systems.

The APUs, which provide electric power to the train, will replace the last vestiges of steam on the ON network. The construction of the APUs and reconstruction of the cis being done in the North Bay shad while the stripping of the original cars is done in ONTC shops in other northern communities.

Three cars and one APU are expeto be tested in the fall of 1988 and regular service between Cochran and Moosonee by year-end.



ONTC's Rail Services provide the infrastructure for the railway and operate and maintain the trains used to transport freight and people and includes the Engineering, Mechanical and Transportation Departments.

Safe and efficient operations and regular upgrading of plant received continued stress.

Major projects to keep facilities safe and up-to-date included:

 Replacing 45,000 track ties and 6.5 miles of worn main line with new continuous welded rail.

- Rail grinding was completed on 86 miles of track.
- A five-span concrete bridge was partially rebuilt and a two-span concrete bridge built in 1937 was replaced with a steel one.
- In Cochrane a new Rail / Truck Express Terminal and a track relocation project to provide improved maintenance facilities were completed.
- A major track construction job at Englehart was completed to allow for the relocation of the Material Yard from North Bay and to provide secure storage.

 Hot box detection equipment, to determine wheel and axle condiwas upgraded and a 1986 prograreplace public crossing signs wareflectorized red and white crossings was completed.

New machinery placed in repair shops included an overhead cran traction motor machine and a half-inch capacity shear.

Two 3,000-horsepower locomotive were completely overhauled and modifications to 1.5 1800 Series locomotives to improve winter operation were made.

norOntair

ONTC was given the task in 1973 to operate norOntair. The original mandate was to set up an infrastructure to operate an air line, to set standards and determine fares and schedules

The objectives of the government at that time were to reduce isolation of northeastern Ontario, enhance the industrial and commercial development of the area and to strengthen private carriers.

In 1987, norOntair saw a ridership increase of 3.1% despite heavier competition. This is the first year since 1981 that over 100,000

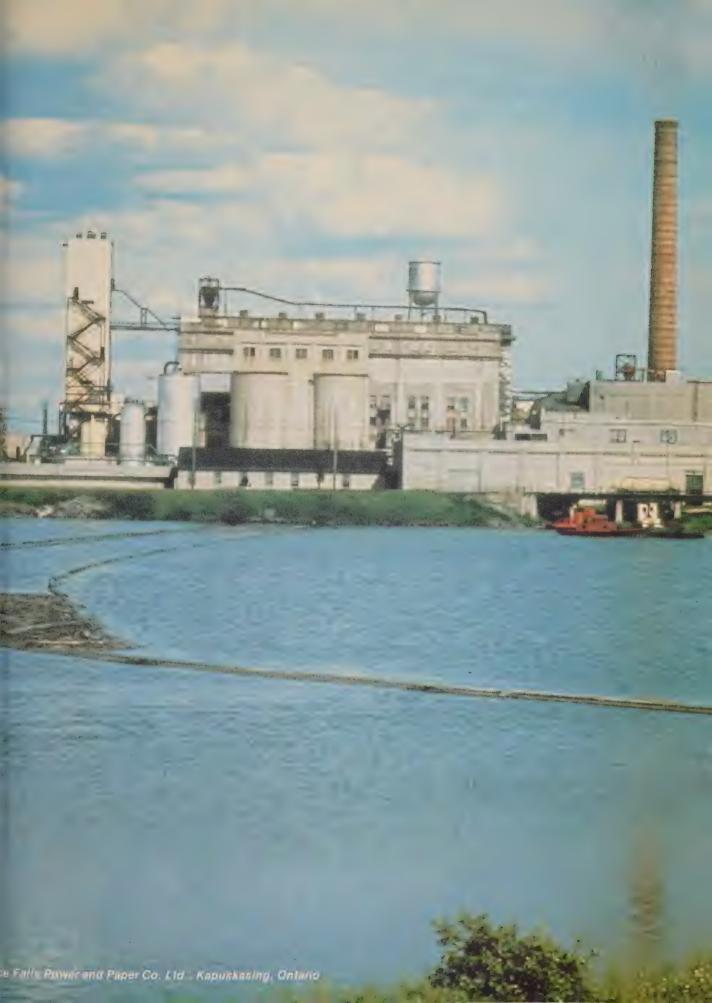
passengers were carried in one year. This led to an increase of revenue in 1987 of \$1 million over the previous year. As expenses remained approximately the same for both years, a 26.08% decrease in losses was incurred over 1986.

The completion rate for all flights in 1987 was 96.65%.

In 1987, norOntair continued to serve 21 communities with six Twin Otters, one Navajo and one Dash 8.

A request for proposals was sent out in 1987 to ascertain if the private sector was willing and prepared to provide air service to at least som the communities served by norOr It was stated at that time that, in reviewing proposals, a strong emphasis would be placed on considering the needs of individu communities and norOntair personnel.

Proposals have been received and reviewed and an announcement is expected by mid-1988.



Marine Services

Marine Services -- the M.S. Chi-Cheemaun on Georgian Bay, the M.V. Chief Commanda II on Lake Nipissing, and the M.V. Manitou Island II on James Bay -- continued their record of efficient service in 1987.

A passenger / vehicle ferry connecting Tobermory and South Baymouth on Manitoulin Island, the M.S. Chi-Cheemaun was forced for the first time in 13 years of operation to turn away walk-on traffic. On three occasions in 1987 the 638-passenger ferry was filled to capacity, requiring this extraordinary measure to be taken.

Though traffic was lighter than usual in early summer, volumes later increased, resulting in a slight overall increase for the year. The number of vehicles carried increased to 84,050 in 1987 from 82,442 in 1986, and passengers to 256,570 this year from 242,308 the previous year.

In North Bay the tourist cruise ship M.V. Chief Commanda II provided more efficient service, carrying more passengers per trip. The total number of trips operated was less than in previous years, but the number of passengers carried was down only slightly at 18,567.

Renovations to the interior of the M.V. Chief Commanda II continue 1987, and a main engine was overhauled as part of the ship's continuous maintenance program

Traffic increased substantially on M.V. Manitou Island II, a passeng cargo ferry operating between Moosonee and Moose Factory on James Bay. A 39% jump in reven was due mainly to the transport o students.

Freight Services

Ontario Northland's Freight Services include rail freight traffic handled by the ONR and highway freight carried by the recently established Transport Services.

Rail traffic experienced marginal changes in 1987 as tonnage slipped 2.4% and revenues followed by 2.8%. Approximately 5 million tons were carried to produce \$42.5 million in revenue.

The mining industry accounted for 78% of the total freight. Total mining industry tonnage was down 3%. A reduction in ores, concentrates, zinc metals and sulphuric acid shipments contributed to the decrease as did northbound shipments of Petroleum Products. The latter decreased substantially due to major policy changes within that industry in the marketing of these products.

Forest industry products accounted for 19% of the total, up 3% from 1986, resulting from slight improvements in volumes of newsprint,

woodpulp, pulpwood and related products.

Strong metal prices and new distribution warehouses may assist in increasing our market share of these products. Newsprint and woodpulp markets are expected to remain strong and ongoing efforts in various areas of the forest industry sector to secure new blocks of traffic should result in increased volumes in the near future.

Given the limited growth potential in the geographical area served and the effects of the National Transportation Act 1987, coupled with increasingly aggressive truck competition, future trends remain uncertain over the longer term.

Transport Services, formed in 1986 with the integration of Star Transfer and Express Services, demonstrated significant improvement in 1987 despite a continued loss.

Trucking-only revenue increased

13.8% to slightly more than \$4 million, matching a 14% increase weight carried. Total revenues jumped 8.4% to \$5.4 million. Thi resulted in a bottomline improver of 45.1%.

Customer service was upgraded with acquisition of six new tractors two medium-duty trucks and a long-box van. A microcomputer installed in Timmins to centralize speed customer billing. Ordered 1988 were six additional tractors 14 quad-axle trailers.

Transport Services employees maintained their excellent safety record with no lost-time injuries reported for the second consecut year.



	Assets of the trade to call the trade to the trade of the second	
	*	Ψ
Current Assets	Cash and short term investments 2,369,7	55 11,294,485
Current Assets	Accounts receivable 16,915,0	, ,
	Due from Contributory Pension	
	Fund (note 7) 7,583,4	10 526,429
	Materials and supplies 10,554,8	
	Prepaid expenses 628,6	165,075
	38,051,6	32 ,636,109
Long Term Investments - at cost	Government bonds (market value	21 22 965 020
	\$30,765,000; 1986 - \$26,935,000)	23,865,029
Other Assets - at cost	Self-insurance fund (note 3)	
Other Assets at cost	(market value \$2,137,000; 1986	
	\$2,009,000)	
	Bus franchises 297,6	
	Investment in Telesat Canada 150,0	
	Deferred Pension Charge (note 2) 2,694,7	
	5,270,6	2,283,028
Investment in Property - at cost		
less accumulated depreciation	(schedule 1) 176,513,9	76 174,072,188
	249.510.8	366 232,856,354

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission:

J.W. Spooner Chairman P.A. Dyment General Manager

Liabiliti	es and Equity	1987 \$	1986 \$
Current Liabilities	Accounts Payable and accrued charges	19,823,779	17,518,597
Deferred Revenue	(note 5)	1,272,956	1,447,824
Provision for Self Insurance	(note 3)	2,128,279	1,835,349
Long Term Debt	Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
Province of Ontario Equity	Contributed surplus Retained income	20,772,165 170,305,752 191,077,917	22,832,714 154,013,935 176,846,649

249,510,866 232,856,354

		1987 ·	1986
Operating Revenues	Commercial (schedule 3) Non-Commercial (schedule 4)	90,285,299	93,161,888 13,928,905
Total operating revenues	all the same was a second	105,880,949	107,090,793
Operating Expenditures	Commercial (schedule 3) Non-Commercial (schedule 4)	80,290,330 37,685,672	78,513,852 38,345,441
Total operating expenditures		117,976,002	116,859,293
Loss from operations before the following		12,095,053	9,768,500
Investment Income	Interest expense Interest earned Gain on sale of bonds	(203,337) 3,531,632 284,640	(200,048) 3,279,755 278,765
Net investment income		3,612,935	3,358,472
Special payment to pension fund	(note 2)		2,209,037
Net loss before Government reimbursement		8,482,118	8,619,065
Government reimbursement (schedule 2 and note 4)		24,773,935	26,395,105
Net income for the year		16,291,817	17,776,040

	1987 \$	1986 \$
Balance, beginning of year	154,013,935	136,237,895
Add net income for the year	16,291,817	17,776,040
Balance, end of year	170,305,752	154,013,935

Ontario Northland Transportation Commission CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS for the year ended December 31, 1987

			1987 \$	1986
Balance, beginning of year			22,832,714	24,752,416
Add:	- norOntair aircraft and associated equipment		20,690	90,014
	- Capital expenditures of The Owen Sound Transportation Company, Limite	d	33,405	215,409
			22,886,809	25,057,839
Less:	depreciation charges for the year		2,114,644	2,225,125
Balance, end of year			20,772,165	22,832,714

		1987 \$	1986 \$
Operating Activities	Cash provided from (used in) operations (see below) Government reimbursement	(8,799,916) 24,773,935 15,974,019	916,670 26,395,105 27,311,775
Financing Activities	Capital reimbursement from the Province	54,095	305,423
Investing Activities	Net investment in fixed assets Purchase of bonds Proceeds from sale of bonds Proceeds from sale of fixed assets Contributory Pension Fund advances	(13,038,074) (6,913,125) 1,504,750 550,586 (7,056,981) (24,952,844)	(14,484,243) (5,854,863) 2,168,000 381,069 (526,429) (18,316,466)
(Decrease) increase in cash and short term investments during the year		(8,924,730)	9,300,732
Cash and short term investments, beginning of year		11,294,485	1,993,753
Cash and short term investments, end of year Cash provided from (used in) operations		2,369,755	11,294,485
is derived as follows:			
Net loss before Government reimbursement		(8,482,118)	(8,619,065)
Add (deduct):	Depreciation Amortization and gain on sale of bonds Gain on sale of fixed assets (Increase) decrease in accounts receivable Increase in material, supplies and prepaids Increase in accounts payable Amortization of deferred revenue Increase in deferred pension charge	8,043,199 (401,127) (112,143) (2,343,245) (4,940,072) 2,305,182 (174,868) (2,694,724)	7,535,687 (410,539) - 1,240,255 (535,533) 1,860,897 (155,032)
Cash provided from (used in) operations		(8,799,916)	916,670

		1987 \$	1986 \$
Rail	Roadway Buildings Equipment	109,514,298 20,675,531 40,673,625	106,018,697 15,043,687 40,732,326
Telecommunications		55,353,894	54,809,295
Buses		2,315,162	2,315,162
Boats		927,413	927,413
norOntair	aircraft other	15,542,700 3,940,188	15,542,700 2,010,106
Remote North power and communications		166,127	278,298
Star Transfer Limited	vehicles other	1,881,825 987,118	2,414,213 960,647
The Owen Sound Transportation Company, Limited	vessel other	9,898,933	9,880,765 395,158
Gross investment in property		262,257,752	251,328,467
Less accumulated depreciation		100,936,803	93,763,881
Net investment in property		161,320,949	157,564,586
Under construction		15,193,027	16,507,602
		176,513,976	174,072,188

		1987	1986
		\$	\$
From Province of Ontario	Cookeana Marana		
on the state of th	Cochrane - Moosonee branch line	8,410,509	8,328,400
	Main line passenger train	5,750,070	5,630,200
	Northlander (note 4)	3,921,904	5,899,400
	Air services - norOntair	4,573,597	5,766,426
	Moosonee ferry	34,468	42,706
		22,690,548	25,667,132
The Owen Sound Transportati	ion		
		67,387	727,973
Total Provincial Government			
reimbursement		22,757,935	26,395,105
Federal Government reimburs	sement		
(note 4)		2,016,000	-
Total Government reimbursen	nent (note 4)	24,773,935	26,395,105

		1987 1986 \$ *** *** \$
Rail Freight Services	Revenue Expenditures Income from operations	44,309,71145,350,73140,885,36041,440,8963,424,3513,909,835
Telecommunications	Revenue (note 6) Expenditures (note 8) Income from operations	36,084,26538,430,57428,418,69625,580,0357,665,56912,850,539
Bus Services	Revenue Expenditures Loss from operations	3,862,927 3,792,432 4,050,776 4,356,428 (187,849) (563,996)
Transport / Express Services	Revenue Expenditures Loss from operations	5,457,548 5,034,911 6,225,265 6,432,614 (767,717) (1,397,703)
Marine Services (North Bay)	Revenue Expenditures Loss from operations	312,457 303,025 489,144 463,532 (176,687) (160,507)
Tourist Facilities (Hannah Bay)	Revenue Expenditures Income from operations	152,120 140,867 126,167 110,566 25,953 30,301
Remote North Power	Revenue Expenditures Income (loss) from operations	106,271 109,348 94,922 129,781 11,349 (20,433)
Total Commercial Operations	Operating revenues Operating expenditures Income from operations	90,285,299 93,161,888 80,290,330 78,513,852 9,994,969 14,648,036

		1987 \$	1986 \$
Rail Passenger Services	Revenue	5,116,233	4,773,336
	Expenditures	22,546,520	22,652,767
	Loss from operations	17,430,287	17,879,431
	Government reimbursement	20,098,483	19,858,000
	Net gain from operations	2,668,196	1,978,569
Air Services (norOntair)	Revenue	6,154,203	5,169,903
	Expenditures	10,712,083	10,936,329
	Loss from operations	4,557,880	5,766,426
	Government reimbursement	4,573,597	5,766,426
	Net gain from operations	15,717	-
Marine Services (Owen Sound)	Revenue	4,226,501	3,914,678
	Expenditures	4,293,888	4,642,651
	Loss from operations	67,387	727,973
	Government reimbursement	67,387	727,973
		-	-
Marine Services (Moosonee)	Revenue	98,713	70,988
	Expenditures	133,181	113,694
	Loss from operations	34,468	42,706
	Government reimbursement	34,468	42,706
		-	-
Total Non-Commercial Operations	Operating revenues	15,595,650	13,928,905
	Operating expenditures	37,685,672	38,345,441
	Loss from operations	22,090,022	24,416,536
	Government reimbursement	24,773,935	26,395,105
	Net gain from operations	2,683,913	1,978,569

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of vehicles which are depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	30 years
Telecommunications equipment	15 years
Aircraft 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	10 years
Boats And	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. PENSION PLAN

The Commission is the trustee for its contributory pension plan which covers all permanent staff.

Effective January 1, 1987 the Commission prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants on accounting for pension expenses and obligations. In accordance with these recommendations the Commission charged to 1987 pension expense its share, \$403,000, of the net cost of benefits earned by employees during the year. In previous years the Commission had charged to pension expense the amount of funding it provided to the pension plan (1986 - \$5,392,574).

In 1987 the Commission funded the amount of \$3,097,724. The excess, \$2,694,724, of the funded amount over the net cost of benefits earned is recorded as a Deferred Pension Charge on the Balance Sheet.

The actuarial valuation prepared for accounting purposes as at December 31, 1987 disclosed a surplus of \$4,883,000, representing the excess of plan assets of \$174,856,000 over accrual pension benefits of \$169,973,000. This valuation assumed an expected rate of return on plan assets of $7\frac{1}{2}$ per cent and projected pay increases of $5\frac{1}{2}$ per cent.

3. SELF-INSURANCE

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a \$100,000 premium paid by the Commission in addition to investment income earned on fund assets.

4. GOVERNMENT REIMBURSEMENT

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commisson to earn an annual rate of return equal to the lesser of 9.325 per cent or the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year. A portion of the subsidy for the operating loss of the weekday passenger train service between North Bay and Toronto is received from the National Transportation Agency of Canada under section 261 of the Railway Act. This subsidy was received directly by the Province of Ontario in prior years.

5. DEFERRED REVENUE

In 1985, the Commission received \$1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eight remaining years of the original agreement.

6. TELECOMMUNICATIONS REVENUE AGREEMENTS

The Commission has revenue-sharing agreements with Bell Canada and Northern Telephone Limited, subsidiaries of Bell Canada Enterprises Inc. These revenue-sharing agreements may be terminated by either party after giving 180 days and 60 days prior notice, respectively. Approximately 74 per cent (1986 - 78 per cent) of telecommunications revenues depend on these agreements.

7. DUE FROM CONTRIBUTORY PENSION FUND

As of December 31, 1987 the Commission has paid \$7,583,410 towards the costs of construction of a senior citizens' apartment building having an estimated total cost of \$9.4 million. These costs are being borne by the Commission until construction is completed in early 1988 and the property becomes an investment of the Fund.

8. PAYMENT TO NORTHERN TELEPHONE LIMITED

Under an agreement dated September 29, 1986, the Commission paid \$3,000,000 during 1987, to Northern Telephone Limited, to cover a portion of the cost of modernizing that company's telecommunications equipment.

9. COMPARATIVE FIGURES

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

To the Ontario Northland Transportation Commission and to the Minister of Northern Development.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1987 and the consolidated statements of income, contributed surplus, retained income and changes in financial position of the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31,1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting for pension expense, as explained in note 2, on a basis consistent with that of the preceding year.

Toronto, Ontario, May 13, 1988.

D.F. Archer, F.C.A., Provincial Auditor.

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		1987 \$	1986 \$
Receipts	Contributions Employees Commission	2,042,077	1,996,871
	Current service and supplementary benefits Payment toward unfunded liability (note 2)	2,057,146 1,124,232 5,223,455	2,019,557 3,394,652 7,411,080
	Income from investments Interest and dividends Net gain on disposal	17,394,142 1,113,684 18,507,826	16,330,233 3,015,088 19,345,321
		23,731,281	26,756,401
Disbursements 5 / /	Pensions paid directly to pensioners Refunds of employee's contributions and interest	8,719,425 231,557 8,950,982	7,760,852 222,175 7,983,027
Increase in the fund for the year Fund balance, beginning of year		14,780,299 161,558,030	18,773,374 142,784,656
Fund balance, end of year		176,338,329	161,558,030
Consisting of:	Assets Cash and short term investments, at cost Stocks, at cost (market value \$11,933,475;	8,706,112	22,162,896
	1986 - \$6,896,940) Accounts receivable	12,742,371 471,851	6,963,190 506,696
	Bonds, at cost (market value \$153,744,574; 1986 - \$142,150,680)	154,417,995	131,925,248
		176,338,329	161,558,030

See accompanying notes to financial statement.

Approved on behalf of the Board:

J.W. Spooner Chairman P.A. Dyment General Manager

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

This statement has been prepared on the cash basis of accounting, except for contributions which have been recorded on an accrual basis.

(b) Administration expense

The cost of administration is borne by the Ontario Northland Transportation Commission.

2. UNFUNDED LIABILITY

Based on the latest triennial acturarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of \$16,937,364. This amount was comprised of the following:

Initial unfunded liability
as of January 1, 1965 \$19,443,107

Actuarial surplus identified at December 31, 1984

(2,505,743)

\$16,937,364

The Commission and its subsidiaries made interest payments of \$1,124,232 during 1987 (1986 - \$1,185,615) into the Fund in order to prevent an increase in the unfunded liability. In addition, the Commission made a special contribution of \$2,209,037 in 1986 into the Fund. The impact of this special payment on the unfunded liability will be reflected in the next actuarial valuation.

3. INVESTMENT IN APARTMENT COMPLEX

As of December 31, 1987, the Commission paid \$7,583,410 towards the costs of construction of a senior citizens' apartment building having an estimated total cost of \$9.4 million. These costs are being borne by the Commission until construction is completed in early 1988 and the property becomes an investment of the Fund.

To the Ontario Northland Transportation Commission and to the Minister of Northern Development.

I have examined the statement of changes in fund balance of the Ontario Northland Transportation Commission Contributory Pension Fund for the year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the assets of the Fund as at December 31, 1987 and its receipts and disbursements for the year then ended in accordance with the basis of accounting described in note 1a, applied on a basis consistent with that of the preceding year.

I. J. archer

Toronto, Ontario May 13, 1988. D.F. Archer, F.C.A., Provincial Auditor.











